The Church of England
Pensions Board

We provide retirement services set by the Church of England for those who have served or worked for the Church

Annual Report 2011

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Enquiries about the Pension Schemes generally or about an individual's entitlement to benefit should be made to

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Relevant sections of this report have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 and the accounts in accordance with Sections 41(1) and (6) of the Pensions Act 1995

The Board is a Registered Charity No 236627. The Board is registered with the Financial Services Authority No 441548

Introduction

Charitable Funds

Pension Schemes

Appendices

Assists over 32,000 people in the provision of retirement services

Manages funds in excess of £1,100 million

Provides specialist dementia care at Manormead Care Home

Assists over 250 employers through the administration of pension schemes

Provides housing to around 3,000 retired clergy households through CHARM

Maintains seven Christian Retirement Communities

VISION

We will deliver a professional, high quality and efficient service to our customers, respecting their needs and the needs of those who provide us with the money to do this

VALUES

We are part of the Church of England

We understand our customers and their needs

We work closely with employers, dioceses and all our partners and take careful account of their views

We behave with openness and integrity

We take pride in doing a good job

We value our people and the contribution they make

STRATEGIC OBJECTIVES

Manage the pension schemes efficiently and effectively in accordance with the scheme rules and apply an investment strategy that maximises the Board's ability to ensure all liabilities are met as they fall due

Provide quality retirement housing while demonstrating good value for money

Achieve a sustainable return on the Board's investment funds, acting in accordance with the National Church Institutions' ethical policies

Understand our customers' needs and expectations and use this information to improve delivery of our services

Maintain our ability to comply with all regulatory and legal requirements

Provide value for money to the Church with the resources we are given to run the business

Create a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board

Introduction by the Chairman

2011 was a busy year for the Pensions Board in which we consolidated and built on the services we offer to those who have served or worked for the Church of England.

Early in the year we started work on the valuation of the Church Workers Pension Fund. The Fund provides a pension scheme to almost 8,000 members spread across approximately 200 employers associated with the Church of England. Not surprisingly, given the state of the financial markets, the valuation threw up a significant deficit, and as a result, several employers considered changes to the benefits package offered.

Markets remained volatile throughout the year, particularly during the summer months; we were pleased to note that nearly all of the fund managers surpassed their performance benchmarks and industry averages for the year. With the assistance of our consulting actuaries, Lane Clark and Peacock, and our investment advisers, Mercer, we continued to diversify our return-seeking investments to spread risk. We have also continued with the work to "de-risk" the Clergy funded pension scheme whereby there is a progressive switch of assets to the liability-matching pool over a period of 20 years.

2011 saw the first full year of operation under the revised funding arrangements for the CHARM retirement housing scheme; the transition to an external financing partner brought fresh disciplines and challenges but continued to progress smoothly. At the start of the year, we transferred the repairs and maintenance of our rental housing stock to Sanctuary Housing. This gave our tenants an enhanced service with the ability to call regarding a repair 24 hours a day, seven days a week. The initial feedback has been favourable and we are planning to roll out the service to other areas of our housing provision.

2011 was also a year when we said farewell to a number of long serving Board members including Phil Hamlyn Williams who had served the Board for 13 years (including several years as chair of the Audit and Risk Committee) together with the Revd Richard Billinghurst (almost 12 years service), Canon Harry Marsh (6 years service) and Peter Parker (9 years service). We are grateful to them for their counsel and service over the years.

Early in 2011 the Board appointed Bernadette Kenny as our new Chief Executive, in succession to Shaun Farrell who had retired after over 40 years service to the National Church Institutions. Bernadette has challenged us to consider how best the Board should, and could, provide its services to the Church of England in the future. We are working with the Executive Team to deliver the vision of a professional, high quality and efficient service to our customers, respecting their needs and, importantly, the needs of those who provide us with the money to do this.

In 2012, I expect the Board to continue a close examination of those needs and to reach further conclusions on how best to ensure that we continue to provide excellent retirement services, within the funding provided by the Church of England, to those who have served or worked for the Church.

Jonathan Spencer
Chairman

Maintain our ability to comply with all regulatory and legal requirements

Organisation and Governance

The twenty members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies. Only four of the members are appointed, with the remainder elected for a six-year term by the employers and members of the pension schemes, and by members of the General Synod. The majority of members also serve on one or more of the Board's three sub-committees. The Board can co-opt others who bring a particular expertise to serve on its committees.

The names of members of the Board for the period 1 January 2011 to 15 May 2012 are set out at the back of this report. The Board met five times throughout 2011. Members' attendance at Board and Committee meetings during 2011 is shown below.

Board Members	Board (5)	Audit & Risk (3)	Housing (4)	Investments (6)
Dr Jonathan Spencer	100%			
Rt Rev David Walker (Vice Chairman)	80%		100%	
Clive Hawkins (Deputy Vice Chairman)	100%			100%
James Archer	100%	100%		
Simon Baynes	40%			83%
Revd Paul Benfield	80%			
Revd Richard Billinghurst	50%	100%		
Revd Paul Boughton	100%			100%
Revd Nigel Bourne	100%		75%	
Dr Graham Campbell	80%			
Ian Clark	100%			100%
John Ferguson	100%		100%	
Alan Fletcher	80%		75%	100%
Canon David Froude	100%	100%		
Canon Ian Gooding	100%			
Canon Harry Marsh	100%	100%		
Canon Sandra Newton	100%		100%	
Peter Parker	100%			100%
Colin Peters	60%			83%
Phil Hamlyn Williams	60%	67%	75%	
Brian Wilson	75%			
Co-opted Members				
Ian Bate			50%	
Debbie Clarke				67%
Jane Clarke			50%	
Jon Head			75%	
David Hunt		100%		
Mark Powell				83%

The Investment Committee, chaired by Clive Hawkins, supervises the Board's investment fund managers and implements the investment policy set by the Board. It has the power to select, review and deselect, where appropriate, investment managers and the custodian. It also monitors investment performance and compliance with the Board's ethical investment policy. In 2011 it met six times. Members also contributed to a number of working parties set up to consider specific investment areas and attended a full day's offsite strategic review meeting.

The Housing Committee, chaired by the Rt Rev David Walker, oversees the operation of the CHARM housing scheme and the supported housing schemes. In 2011 it met four times.

The Audit and Risk Committee, chaired by Canon David Froude, monitors the integrity of the Board's financial statements, reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. It also reviews the Board's internal control and risk management systems, and monitors and reviews the effectiveness of the internal audit function. During 2011, it met three times. At the start of 2012, the Board co-opted Helen Simmons, finance director of the London Diocesan Fund, to serve on the Committee.

Risk Management

The Church of England Pensions Board is committed to embedding risk management good practice into its day to day operations. To assist in the achievement of this objective the Board agreed a risk management policy.

Given the Board's role in administering pensions, housing and retirement homes for those who have retired from the Church of England and their dependants, it is important that its ability to deliver efficient and effective services is not compromised by significant adverse events occurring.

Key risks are identified according to the Board's strategic objectives. These are reviewed by the Board in addition to the high value residual operational risks.

The strategic risks include

- investment performance and management of pension liabilities;
- development and delivery of the Board's housing strategy;
- compliance with regulatory requirements; and
- ensuring efficiency and value for money.

Risks are graded by likelihood and impact; remedial and mitigation measures are set out, and the resulting residual risk assessed. Mitigation measures can include communication strategies, benchmarking of performance, customer surveys and research, training and review of governance structures, and the development and implementation of efficiency targets. Where mitigation does not bring the risk down to a low ranking, consideration is given as to what action can be taken, if any. Risks are assigned to senior staff to manage.

The Board, and the Executive Team, monitor on a regular basis the strategic risk register and any movements in the scoring arising from actions taken both within the organisation or arising externally.

We regularly review the appointment of our professional advisers. We have a five year business plan which sets out a rolling programme of reviews. In 2011 the appointment of several investment fund managers was reviewed.

Board Membership

New Board members receive an induction into the work and practices of the organisation. All receive a copy of our handbook which outlines their responsibilities and includes copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The Board corporately receives regular training sessions at its meetings.

During 2011 the Board held its second residential meeting. The event, held at Canterbury Cathedral Lodge, provided members with an opportunity to examine in detail the challenges facing particular areas of their work as well as giving them an opportunity to reflect on their duties and learn from each other and the Executive Team. During the residential session, members participated in the communal living of the Cathedral and were led on a pilgrimage of the Cathedral by the Dean of Canterbury, the Very Revd Robert Willis.

18 members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification.

Elected members serve for a six-year term with elections held for 16 of the positions on a rolling basis every two years.

During 2010, we said farewell to several members who had given long service to the Board. Phil Hamlyn Williams had served the Board for some 13 years, including service on the Housing Committee, acting as the link member for the Gracey Court supported housing scheme, and chairing the Audit and Risk Committee. Peter Parker had been a member of the Board for nine years; he had also served during this time as a member of the Investment Committee. Canon Harry Marsh had been a member of the Board for six years, and throughout this time served as a member of the Audit and Risk Committee. The Revd Richard Billinghurst decided to step down from the Board during the course of the year; he had served for 12 years and had been a member of the Audit and Risk Committee for the majority of his time on the Board.

Early in 2011, Brian Wilson and the Revd Paul Benfield were elected to fill two casual vacancies which arose in the membership of the Board; both were elected to serve until December 2011 and stood for re-election at the end of 2011. They were both re-elected to serve on the Board for a full six-year term; Jane Bisson also joined the Board from 1 January 2012 for a six-year term, having been elected by the members of the House of Laity of the General Synod.

In line with best practice, the Board openly advertised the appointment of a member of the Board by the Archbishops of Canterbury and York. Following a rigorous selection process, the Archbishops appointed Roger Mountford to serve on the Board for a six-year term from 1 January 2012.

The Church Commissioners appointed Jeremy Clack to serve on the Board for a term expiring 31 December 2014.

Create a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board

Staff and Administration

The number of staff for whom the Board is the managing employer was 58 at the end of the year (61 at the end of 2010). In addition we employ 177 full– and part-time staff (171 at the end of 2010) at our supported housing schemes, including managers, nurses, activities staff and gardeners. We draw on shared services such as information technology, records management and financial accounting provided by the Church Commissioners; and legal, communications and human resources provided by the Archbishops' Council. The Board manages the Internal Audit shared service.

In March 2011, Shaun Farrell, Secretary and Chief Executive of the Board, retired. He had served the Board since 2004 and had completed over forty years service with the National Church Institutions. At its meeting in February, the Board thanked him for his service and wished him the best for a very happy retirement.

11 staff undertook sponsored studies for essential job qualifications and career development. Staff also took part in training courses on a variety of topics including management development, fair selection interviewing, equal opportunities awareness and a range of health and safety related matters. They also had access to an "e-learning" facility and a variety of other career development opportunities.

IT Systems

The Board, and the other National Church Institutions, use SAP as their shared financial platform. The system also underpins the work carried out by our Housing Department where it is used as their main property database and management system. The Pensions Department use Universal Pensions Management as their administration system.

Achieve a sustainable return on the Board's investment funds, acting in accordance with the National Church Institutions' ethical policies

Market Commentary

In investment terms, 2011 was notable for the very sharp outperformance of bonds compared with equities, particularly for bonds issued by governments outside the Eurozone, reflecting the strong risk aversion of investment markets through much of the year.

Equities began 2011 in a relatively upbeat mood, but come the summer felt the full force of concerns over debt defaults by countries in the Eurozone, and the future of the Euro itself. The exposure of European banks to sovereign Euro-denominated debt and the ensuing contraction in credit and bank liquidity had uncomfortable echoes of the 2008-2009 credit crisis. These concerns exacerbated the fears that were already emerging in the spring around slowing growth in the US and overheating in the Chinese economy.

However, from the autumn onwards, a concerted effort by the European Central Bank in providing support for sovereign bond markets and additional liquidity of €490bn to the European banking system, promises of further rounds of quantitative easing by the US Federal Reserve and the Bank of England, and early signs of economic growth in the US, permitted a significant recovery by equity markets.

Although it was a year of negative returns for most stock markets, equities could be said to have finished the year considerably better than might have been expected given the scale of the concerns in mid-August. The UK FTSE AllShare fell by 3.5% over the year and the FT World Index by 5.8%. The only major market to record a rise was North America, up by 0.5% in local currency terms. Areas of investment traditionally associated with higher risk, such as emerging market and small company equities fell sharply during the year, with the MSCI Emerging Market Index falling 18.2% and the FTSE Small Capitalisation Index by 15.2%.

The impact of currency on equity returns was more muted over 2011, compared with previous years. Sterling weakened against the US Dollar and the Yen, by 0.7% and 6% respectively, but rose in value against the Euro by 2.5%.

Conversely, bond investors enjoyed very strong returns over 2011, particularly in the UK. The FTSE Government All Stocks index returned 15.6%, a substantial return by any standard, but within that grouping index-linked gilts maturing in more than five years rose by 23.7%. Corporate bonds generated a good return too, with the Merrill Lynch Sterling Non-Gilts index rising 7.2% over the year. Issues with higher credit ratings fared moderately better over the year than those with lower ratings.

Property produced a good return through the year, the IPD All Property Monthly Index returning 8.2%, almost all of which came from rental income.

Hedge fund investment has become a standard return seeking tool for UK pension funds in recent years. The universe of managers is wide and with the styles and techniques of management covering a broad spectrum, it is not surprising that the range of returns at the individual fund level is also very broad. Overall, the industry had a disappointing year in 2011, with the Dow Jones Credit Suisse Hedge Fund Index losing 2.5% of value over the year. The strategies that worked well included 'Global Macro', returning 6.4%, and 'Fixed Income Arbitrage', returning 4.7%. Generally the results suggest that hedge funds which invest across asset classes have fared better than those targeting narrow strategies or asset classes.

Investing actively in currency also produced poor returns over the year (the Stark Currency Index was down over 8%), in an environment which arguably should have been favourable, and commodities also generated negative returns (the Goldman Sachs Commodity Index was down 1.2%).

Pension Funds

Introduction

The Board administers a number of pension schemes and the assets of these schemes are pooled for investment purposes. This allows the smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. The shares in the pooled funds attributable to each pension scheme are established on a unitised basis every month.

For the pension funds, the Board operates a "Return Seeking" pool, comprising equities, property unit trusts, Global Tactical Asset Allocation (GTAA) funds, infrastructure, corporate bonds and cash; and a "Liability Matching" pool, consisting mostly of UK Government bonds. Detailed commentary on the performance of these pools is set out below.

The Return Seeking Pool

Investment Management

During the year further steps were taken to diversify the investments within the Pool, which were worth just under £1 billion at the year end. This included switching some UK equities into three different Global Tactical Asset Allocation (GTAA) funds, which has become a standard investment tool for UK pension funds in recent years. The management of the Pool is split between eight managers running eleven mandates in total:

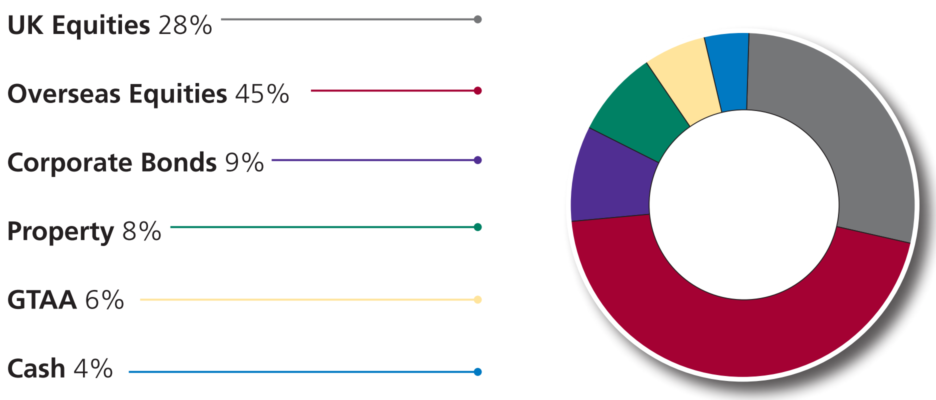
- BlackRock Advisors (UK) Limited for an investment in a pooled Global Tactical Asset Allocation (GTAA) fund - *new*
- Bridgewater Associates LP Limited for an investment in a pooled GTAA fund - *new*
- CB Richard Ellis Investors (CBREI) for a portfolio of UK and Overseas property unit trusts
- First State Investments Fund Management S.à r.l. for an investment in a pooled infrastructure fund - *new*
- GMO (UK) Ltd for two mandates, one for UK equities and one for Overseas equities
- Legal & General Assurance (Pensions Management) Limited for three passively managed mandates: UK equity and Global equity in segregated portfolios, and corporate bonds in a pooled investment
- RCM (UK) Ltd for a Global equity portfolio
- Winton Capital Management Limited for an investment in a pooled GTAA fund - *new*

Five new mandates were established during 2011. Three were for investments in pooled GTAA funds managed by BlackRock, Bridgewater and Winton; one was for a segregated Global equity portfolio tracking the MSCI World Index, managed by Legal & General; and one was for an investment in a pooled infrastructure fund managed by First State, to which the Board made a commitment, though at the end of the year none of that had been drawn down by the manager.

GTAA is a method of investment that employs a wide range of asset classes allowing a manager to allocate risk across them in accordance with its views on financial and economic conditions for companies, industries, countries and regions. In order that the investment ideas generated by managers can be implemented optimally, GTAA funds typically gain most of their investment exposures through derivatives, taking both long and short positions.

The investment in active currency with Auriel Capital was terminated during the year.

At the year end, the asset mix in the Return Seeking Pool was as set out below:



Future Activity

Through 2012 the Board will further diversify the assets held in the Return Seeking Pool. Additional infrastructure managers are due to be appointed and the Board will be conducting further evaluations of emerging market and smaller company equities with a view to making allocations.

In the longer term, the Board will continue to develop an asset allocation model that seeks to take less risk in developed markets, by allocating to passive index-tracking mandates there, while taking active risks in less efficient markets, where it believes active management can achieve above market returns.

Investment Performance

The longer term returns from the broad asset classes invested in by the Return Seeking Pool are set out below. The comparison is made with the benchmarks used to monitor the Board's managers and, in the case of equity investments, with other comparators too.

	1 year % pa	3 years % pa	5 years % pa	9 years % pa
Return Seeking Asset Pool return	**-2.4**	**9.2**	**0.5**	**7.0**
Pool benchmark (consolidation of manager benchmarks)	*-4.1*	*9.3*	*0.8*	*7.9*
UK Equities	**-5.2**	**12.2**	**0.6**	**7.2**
Consolidated UK Equity benchmark (ethically adjusted)	*-6.0*	*11.9*	*0.4*	*7.9*
FTSE All Share Index (ethically adjusted)	*-5.5*	*12.2*	*0.2*	*7.6*

Continued overleaf...

	1 year % pa	3 years % pa	5 years % pa	9 years % pa
Non-UK Equities (hedged from 2010)	**-4.2**	**6.5**	**1.2**	**6.9**
Consolidated non-UK Equity benchmark (not ethically adjusted)	*-7.3*	*8.1*	*2.7*	*8.6*
MSCI World Index (ethically adjusted)	*-7.2*	*9.4*	*3.1*	*-*
Property	**7.5**	**5.8**	**-4.8**	**-**
Consolidated Property benchmark	*6.9*	*4.8*	*-5.9*	*-*
Corporate Bonds (from 10/2/2009)	**7.6**	**-**	**-**	**-**
iBoxx Sterling non-Gilt (ex-BBB) Index	*7.5*	*-*	*-*	*-*
Global Tactical Asset Allocation (from 28/2/2011)	**5.9**	**-**	**-**	**-**
3 month UK LIBOR	0.8	-	-	-

The Pool generated a return of -2.4% over the year, which was 1.7% better than the consolidated return of the individual benchmarks used to monitor its managers. Although the Pool's returns have lagged behind that aggregated benchmark over the three, five and nine year periods, the gap that was still very apparent last year has now been closed substantially.

This encouraging relative result is in part due to the work done by the Board and its Investment Committee over the last three years in developing a fresh long term strategic direction for asset allocation in the Return Seeking Pool. This has led to a significant reallocation of assets away from UK equities into Global equities and alternatives such as property, corporate bonds, Global Tactical Asset Allocation and infrastructure. All the Board's managers are closely scrutinised by the Investment Committee, and where managers have been found unsuitable for the Board's future needs the relationships have been terminated. Several managers have been appointed for the new asset classes now invested in by the Return Seeking Pool.

It was also much aided by the Board's active equity managers, who all beat their benchmarks. GMO, in its UK and Global portfolios, and RCM, in its Global portfolio, both employ styles of management which favour investments in good quality companies that are cash generative and have strong balance sheets. This was an investment philosophy that worked well in a market that was distinctly risk averse over most of the year. Although a prudent style of fund management, such as this, will tend to underperform standard equity indices when markets are more speculative, it will outperform when markets are cautious and the Board expects this to hold true over the long term

The effect on equity returns of the Board's ethical restrictions was marked over 2011. The FTSE All Share returned -3.5% for the year, but the same set of stocks excluding those restricted by the Board's ethical policies returned -5.5%. The effect on returns from Global equities was smaller, with the ethically adjusted MSCI World Index, for example, returning -7.2%, and the unadjusted index -6.2%. The largest contributor to the overall effect was the strong performance of the tobacco sector over the year. The benchmarks of the Board's segregated equity mandates have been set to take into account the Board's ethical restrictions, where this has been possible. In any case, the managers of the Board's segregated mandates will not hold stocks that are restricted from investment by the Board's ethical policies. Although the effect on returns was significant over the year, the Board is fully committed to its ethical policies.

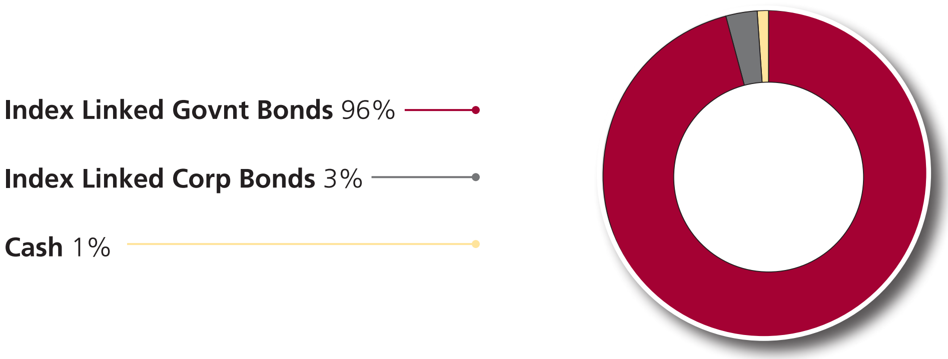
Although the absolute return from equities was disappointing in 2011, the 30% of the Return Seeking Pool that was invested in alternatives to equities produced good returns. The Pool's corporate bond investment returned 7.6% over the year, its property investments 7.5% and its investments in GTAA 5.9%.

The Board's aim in splitting the GTAA allocation between three managers, as described above, was to diversify across firms and management styles. From the inception of the investments, between February and May 2011, to the end of the year, two of the three managers appointed generated positive returns and one has not yet done so. The same general principle of diversification will govern the Board's investments in infrastructure.

Liability Matching Pool

The Liability Matching Pool, which is managed solely by Insight, returned 23.7% compared with the return of 23.3 % from its benchmark, the FTSE UK Government Over 5-Year Index-Linked Gilts Index.

The Pool was valued at £160m at 31st December 2011 and was mostly invested in UK index-linked gilts throughout 2011. At the year end the asset mix was as set out below:



The Liability Matching Pool's longer term returns are set out in the table below:

	1 year % pa	3 years % pa	5 years % pa	9 years % pa
Liability Matching Pool return	**23.7**	**13.7**	**10.9**	**9.4**
Pool benchmark (FTSE UK Government Over 5-Year Index-Linked Gilt Index)	*23.3*	*12.4*	**9.7**	**8.5**

Investment Strategy

The split in assets between return seeking and matching investments for each of the Board's pension funds takes into account the relative maturity of each scheme's liabilities as reflected in contributions receivable and benefit outgoings.

The various schemes' strategies were to be invested as follows:

CEFPS and CAPF

The assumed allocation to inflation matching assets is calculated as a proportion of the assets backing liabilities for pensions in payment from time to time. This proportion varies over time. The remainder of the assets are assumed to be invested in return seeking assets.

Specifically:

CEFPS ~ 0% of pensioner liabilities backed by matching assets, moving to two-thirds of pensioner liabilities over the 20 year period from 31 December 2009 to 31 December 2029.

CAPF ~ 55% of pensioner liabilities backed by matching assets, moving to 100% of pensioner liabilities over the 27 year period from 31 December 2008 to 31 December 2035.

CWPF Defined Benefit Section (DBS)

The assumed allocation to gilts is measured as a proportion of the Life Risk Section's (LRS) asset pool. All of the employer sub-pools are assumed to be invested in return seeking assets.

Specifically:

75% of the LRS assets are assumed to be invested in matching assets and 25% in return seeking assets.

CWPF Defined Contribution Section (DCS)

The assumed allocation to inflation matching assets is measured as a proportion of the DCS asset pool.

Specifically:

25% of the DCS assets are assumed to be invested in matching assets and 75% in return seeking assets.

Clergy (Widows & Dependants) Pension Fund

The current split in the Fund's assets aims to meet its benefit payments for the next 15 years from investments in bonds and cash and to retain the opportunity for generating bonuses by investing in return seeking assets. The investment in bonds and cash consists of a holding in the Liability Matching Pool and a separate portfolio of cash and short-dated UK Government index-linked gilts. The latter is sufficient to provide for three years of benefit payments.

An analysis of the schemes' investments across the CEIFP's investment pools is shown on page 82.

Statement of Investment Principles

A new Statement of Investment Principles (SIP) and associated documents were approved by the Board on 28th November 2011.

The SIP covers the pension funds for which the Board is corporate trustee as well as for the common investment fund. It covers the strategy and management arrangements, including custody of securities, ethical factors and restrictions, and the use of voting rights. A copy of the SIP is available on request.

Management Charges

Each manager charges fees based on the value of the funds it is managing. In 2011 these fees (including those charged by Northern Trust as custodian) were £2.9m. This equated to 0.2% of the average value of the funds under management.

Ethical Investment

The Pension Board co-sponsors and takes independent advice from the Church's Ethical Investment Advisory Group (EIAG).

EIAG members include experts in theology and ethics as well as individuals with experience of living out Christian values in the worlds of investment and business. Members are nominated by the General Synod, the Archbishops' Council, the Council for Mission and Public Affairs, and the national investing bodies. The Group co-opts members who have particular expertise that would be helpful to its work. The Board is represented on the Group by Ian Clark, one of our Board members, and by our Chief Executive.

The EIAG has a permanent Secretariat which supports the development of policy advice and the implementation, including for the Board, of agreed policies.

Ethical Investment Policies

In 2011 the Board adopted the ethical guidelines recommended by the EIAG on investment in hedge funds. This guidance covers a comprehensive range of ethical issues including short-selling, trading in basic commodities such as food and oil, trading around mergers and acquisitions, and trading in the assets of companies in financial distress.

The Board also adopted revised policies relating to alcohol, pornography and high interest rate lending. The new approach to alcohol covers supermarkets for the first time and will involve the EIAG assessing the way supermarkets retail alcohol against minimum standards of corporate responsibility.

The pornography policy maintains the toughest possible exclusion of companies involved in the production or distribution of pornography. The new policy on high interest rate lending extends the exclusion on investment in doorstep lending companies to cover companies engaged in payday loans and pawn broking.

The Board also continues to exclude from investment companies involved in indiscriminate weaponry as well as companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. Finally, we avoid investment in any company substantially involved in tobacco, gambling or human embryonic cloning.

In 2012 we expect the EIAG to review its advice on executive remuneration, genetically modified crops and stem cell research.

Stewardship

The Board supports the principles of the Financial Reporting Council's Stewardship Code. The Code is intended to enhance the quality of the relationship between companies and the institutional shareholders who are usually their main owners. The particular stewardship activities encouraged are investor dialogue with investee companies (known as engagement) and voting on resolutions at company general meetings.

Our commitment to stewardship is demonstrated through the Board's co-sponsorship of the EIAG and our commissioning the EIAG Secretariat to conduct engagement and proxy voting on our behalf.

Engagement

The EIAG engages on ethical issues with many of the companies in which the Board has its main equity holdings. In 2011 the EIAG held 35 engagement meetings. Companies prioritised for engagement in 2011 included BP, Glencore and News Corporation.

Important progress was made in all three engagements. BP provided robust assurance that the company is improving its safety and operational risk management systems. Glencore brought

forward its investment plans so that sulphur dioxide emissions from its copper smelter in Zambia, about which the EIAG had raised concerns, will be eliminated by the end of 2013 rather than 2015. Board-level dialogue with News Corporation commenced as a result of the EIAG's expressions of concern about ethical and governance standards (including in person at the company's AGM in the US in October).

In our proxy voting the main issue on which the Board did not back management remained executive remuneration. The EIAG and the Board share a deep concern about excessive increases in recent years in the amounts payable under variable remuneration schemes – both annual bonuses and longer term incentive plans – and will be considering in 2011 how to step up engagement with business on this.

Proxy Voting

The Board's shares are voted on a global basis in line with the EIAG's recommendations on corporate governance. The issues scrutinised most closely are executive remuneration; resolutions put forward by shareholders on environmental, social and governance concerns; and the election of directors.

In 2011 we voted on just over 9,800 resolutions at 770 company meetings. The EIAG Secretariat wrote to over 200 of the UK's largest companies to explain our voting decisions. In the UK we supported only 30% of remuneration reports, reflecting our ongoing concern about excessive bonuses and long term incentive awards. The Board has been an active participant in the consultations with investors on executive remuneration by the Department for Business Innovation and Skills. We welcome the government's efforts to increase the accountability of companies to shareholders on executive remuneration.

Ethical Investment Partnerships

The Board is a member of the ecumenical Church Investors Group, which acts as a forum for collaboration by Church investors in the British Isles on ethical investment policy, engagement and proxy voting. We are signatories of the UN Principles for Responsible Investment, members of the Institutional Investors Group on Climate Change and supporters of the Carbon Disclosure Project.

In 2011 the Church Investors Group extended its climate change engagement programme on behalf of its members, including the Board. Letters were sent to 50 carbon-intensive FTSE 350 companies seeking improvements in the companies' responses to the Carbon Disclosure Project (CDP), the investor-backed initiative which asks companies to disclose and reduce their greenhouse gas emissions. Seven of these companies later responded to the CDP annual questionnaire for the first time and three established emissions reduction targets for the first time.

The Board is keen, given the international nature of its investment portfolio, to deepen links with church investors beyond the UK. We were pleased to participate in September in a conference of church investors from North America, Europe, Australasia and Africa organised by the Church Investors Group. In 2012 we will build on the links established with a particular view to increased co-operation on engagement.

Statement of the Board's Responsibilities

The accounts, which are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Board.

The law applicable to charities in England and Wales requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. These accounts must comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008.

Pension scheme regulations require the Board to make available to schemes members, beneficiaries and certain other parties, audited accounts for each scheme year which: show a true and fair view of the financial transactions of the schemes during the scheme year and of the amount and disposition at the end of the year of their assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

In preparing these accounts, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- observe the methods and principles in the relevant Statement of Recommended Practice;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts of each scheme, the fund and the charity on a going concern basis unless it is inappropriate to presume that it will continue in business.

The Board is also responsible for making available certain other information in the form of an annual report.

The Board is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards each pension scheme by or on behalf of the employer and the active members of the schemes and the dates on or before which such contributions are to be paid. The Board is also responsible for keeping records in respect of contributions received in respect of any active member of the schemes and for monitoring whether contributions are made to the schemes by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Board is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Board also has a general responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of each entity for which it is responsible. It is also responsible for taking such steps as are reasonably open to it to safeguard the assets of each entity and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Board is also responsible for the maintenance and integrity of the Board's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Church of England Pensions Board Charitable Funds

The Board administers its charitable funds, in accordance with the requirements of the Charities Act 2011, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England and also to their dependants.

The administrative structure of the Board and the details of the trustees and advisers are set out at the back of this report.

This section of the report has been prepared in accordance with the Charities SORP 2005.

Provide retirement housing assistance to retired stipendiary clergy and their dependants

We provide retirement housing to around 3,000 clergy households

In 2011 we processed in excess of 80 new applications in the CHARM scheme

Provide supported housing to assist those who wish to live as independently as possible

We provide around 230 places in seven Christian retirement communities

Occupancy levels during 2011 continued to improve and several of our schemes are full and operate a waiting list

Provide 24 hour nursing support at Manormead Care Home

We provide around 30 places in the Care Home

Our specialist dementia care unit operated at near capacity throughout 2011

Provide discretionary grants to ensure that retired clergy households have a minimum level of income

In 2011, we provided grants to 114 clergy, their surviving spouses or civil partners

We review the minimum income standard on which grants are based on an annual basis

Public Benefit

There are few parishes in the Church of England who do not benefit from the ministry and mission of retired clergy at some point.

After a lifetime of service to the Church, clergy in retirement often continue their ministry assisting local churches. We help them to play a full role through the provision of retirement accommodation and, where applicable, direct grants to supplement their income.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers, seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly. Retired clergy and their dependants often play a role in these projects.

In accordance with the requirements of s.17(5) Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Charitable Activities

At least one in four clergy retiring from the stipendiary ministry seeks our assistance

We help them at a time when they may be feeling particularly vulnerable. They are not only adjusting to retiring from full-time work, but unlike most people in this position, they have often lived for the majority of their working lives in tied accommodation which they have to leave. They also usually move away from the community where they have played a pivotal and central role, and which they may have served for many years.

Our assistance is provided on an assessed ability to pay rather than on a full cost recovery. We aim to help all those who turn to us in some form, provided they meet the criteria for assistance.

Our strategy in the medium to long term is to –

- ensure the long term provision of services to our customers
- ensure that our retirement housing and supported housing schemes are well maintained and provide an appropriate level of service
- continue to provide nursing care at Manormead Care Home, including specialist dementia care
- explore what further provision can be made for specialist dementia care within our supported housing provision
- continue to provide discretionary grants to ensure retired clergy, surviving spouses or civil partners have a minimum level of income.

In 2012, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by gifts, legacies and investment income. All donations are placed in our General Purposes Fund unless otherwise specified.

Full details of our charitable activities are set out on the following pages.

Provide retirement housing while demonstrating good value for money

CHARM

The purpose of the retirement housing scheme – the Church Housing Assistance for the Retired Ministry, or CHARM – is to assist those vacating tied accommodation and who have not been able throughout their service and ministry to the Church to make their own provision for somewhere to live in retirement.

We currently assist some 3,000 retired clergy and their dependants through the various options under CHARM.

CHARM is a discretionary facility. The Board specifies a number of parameters relating to the size and type of property which is available, as well as the form and amount of assistance which is available. These are regularly reviewed.

Until 2010, the rental housing was purchased with finance from the Church Commissioners; it is now funded through a loan agreement with Santander Corporate Banking.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2011 was £3.4m.

A large proportion of the cost of running the scheme is money spent on repairs and maintenance. At the start of the year, we transferred the management of the repairs, maintenance and improvement works of our rental housing stock to Sanctuary Housing Association. This has provided our customers with a much enhanced service 24 hours a day, 365 days a year. During 2012 we will be rolling out Sanctuary's services to the other areas of our housing provision.

Information on eligibility and access to the housing scheme is available on our website, the address of which is inside the front cover of this report.

Shared Ownership

The Shared Ownership scheme was introduced in 2008 in place of the value-linked mortgage scheme, which closed to new applicants in April of that year. In total we assist around 105 households through the shared ownership scheme.

Properties are purchased by the Board in partnership with the customer who contributes a minimum of 25% of the property cost. The Board's maximum contribution is £150,000. Additional shares in the property can be bought by the customer, who can achieve 100% ownership if they wish.

	2011	2010
Number of new properties	22	41
Board's total capital contribution	£1.9m	£8.2m
Average capital contribution	£84,000	£103,000
Average property value	£169,500	£183,500
Average capital share held by the Board	50%	56%

Customers pay rent, based on the Board's capital share of the property, and a service charge, which reflects the likely cost of maintaining and insuring the property. Properties are inspected on a five-year basis and the service charge calculation allows customers to smooth the cost of repairs and maintenance over a period of time.

The service charge is reviewed every six months. The rent is increased in line with the weighted increase in the full Church and State pensions for a married couple. Accordingly the rent increased by 4.6% per annum from 1 April 2011.

Rented Properties

Where retired clergy do not have the resources to enter the Shared Ownership Scheme, assistance through the provision of a rented property is made available. These are the majority of those seeking housing assistance, and in 2011 we assisted 51 people, which accounted for around 10% of those retiring from the stipendiary ministry. In total we assist in excess of 1,200 households through the rental scheme.

Entrants to the Scheme are initially offered the choice of a small number of vacant properties. The scheme though is flexible and where one is not available, or for some reason not suitable, in the area of their choice, the Board will consider purchasing a property for them. The property has to be within a range of specified criteria which include a maximum purchase price of £200,000 (£225,000 in South-eastern counties). In total 45 properties were purchased in 2011.

	2011	2010
Number of new properties	45	60
Total Purchase Price	£8.2m	£11.0m
Average Purchase Price	£186,000	£178,000

Stock condition surveys have been carried out by Sanctuary Housing Association during 2011. These have permitted the Board to better consider planned maintenance of its housing stock and ensure that all properties are in a good state of repair and maintenance. A number of improvement works have also been planned.

Tenants pay a rent towards the Board's costs of maintaining the property and the cost of financing the purchase of the property. This is capped at a maximum of 30% of their (joint) gross income from all sources. Occupants are asked to complete a financial questionnaire annually from the date of occupation to ensure that those not meeting the costs of providing the property are paying an appropriate amount within the terms of the scheme.

The difference between the capped rent and the actual cost of providing the property is met by the wider Church through Vote 5 of the Archbishops' Council's budget.

Certain properties have been purchased directly by the Board from its own funds. Tenants pay rent on exactly the same basis as all other tenants but no notional interest is included in the running costs of these properties. This represents a subsidy from the Board's charitable funds and a saving on the Vote 5 budget of around £1.5m per annum.

Mortgage Schemes

The mortgage schemes are now closed to new applicants.

A fixed-interest mortgage scheme was in operation until 31 December 1982. Mortgagors pay interest only on the mortgage advanced. Since 1982 there have been a small number of advances made. Repayments of £28,740 were received during 2011 and 18 loans were outstanding at the end of the year.

The later value-linked mortgage scheme closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, and when the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. Repayments of £7.7m were received during 2011 and 1,106 loans were outstanding at the end of the year.

Supported Housing and Nursing Care

For over 60 years, the Board has been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services.

Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our supported housing schemes not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The schemes provide places for some 260 people across seven schemes and a nursing home.

Our strategic aim is to ensure that the service provision in our supported housing schemes remains sustainable in the long term. Throughout 2011, we have continued to focus on this and have approved some operational changes at Gracey Court and Capel Court, which took effect in April 2012. These changes transferred emergency cover to a local specialised call centre rather than have staff sleeping on-site each night. Ramsay Hall and Fosbrooke House had already transferred successfully to the new arrangement. At the other schemes, we are working toward an overnight provision that is appropriate to those actually resident in each scheme; this may vary from scheme to scheme.

Residents in our scheme may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits. The introduction of a more transparent form of charging in 2009 had meant that some of our residents became eligible for housing and council tax benefit.

The cost of running the schemes is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2011 these amounted to £0.9m (£1.2m in 2010).

Dementia Care Provision

Late in 2010, the Board opened its first specialist dementia care unit; 2011 saw the unit operating successfully at near or full capacity during its first year of operation.

We recognised that there was a real need in this area, with an estimated one in five people over the age of 80 experiencing the symptoms of dementia. The effects of dementia can be very distressing not only for the person concerned but also for friends and family.

The Allan Bridgewater Wing, within Manormead Care Home, provides a seven-bed unit which includes a communal dining area, a specialist bathing facility, and a sensory garden with raised beds to promote interest and stimulation. The specially trained and caring staff have ensured throughout the year that residents in the unit, and their families, have had a better quality of life.

The Board continues to explore what further provision can be made in this area.

Other Homes

The primary responsibility for assistance with fees for those living in residential and nursing homes not operated by the Board lies with the local authorities, social services departments and primary care trusts. The Board had been able to assist a small number of beneficiaries with financial help within certain limits, but ceased taking any further applications for grants in 2010. Existing grant recipients were unaffected, and during 2011 we provided assistance totalling £21,000.

Income Generated

It is costly to maintain the level of services that we offer, be it in housing, supported housing, nursing care or ensuring that retired clergy have a minimum standard of income.

The wider Church, through Vote 5 of the Archbishops' Council's budget, contributes £3.4m to the provision of retirement housing.

The charitable funds hold investments of £27.9m, the majority of which is invested in the CBF Church of England Funds. The Investment Committee maintains a watching brief to ensure that this money is appropriately invested. Detailed information on the performance of these funds is set out opposite on page 27. Total investment income for the year was £1.4m.

This income is not sufficient to cover the services we provide and without the generous gifts, donations and legacies received, we would not be able to offer the level of services currently provided.

Donations were received from PCCs, individuals, and from charitable trusts. In 2011 these amounted to £892,000. Like many other charities we have seen the level of donations remain under pressure, and we are grateful to everyone who has given towards our work during the course of the year.

	2011 £000	**2010 £000**
PCCs	15	13
Charitable Trusts	87	170
Donations	76	84
Special Appeals	67	
	245	**267**
Legacies	327	235
Properties bequeathed	320	
Total	**892**	**502**

In particular, the Board would like to thank the following for their generous support and for indicating, where appropriate, that Gift Aid may be added to their donation:

- the many individuals who responded to the Board's *Dementia Care Appeal*. The Appeal highlighted the need for funds not only to support the new unit at Manormead Nursing Home (see page 24), but also to enable the Board to expand this specialised care, to provide for the increasing numbers of those who are suffering from this illness;
- the Home of Devenish for its continued support towards our work and two other charitable trusts who wished to remain anonymous;
- the estates of the late Mrs Margaret Driver, the widow of Squadron Leader Peter Driver, a former Board member; Miss Ruth Giles; Mrs Christine Curgenven; and further funds from the estate of the late Mrs Janet McLean;
- the late Miss Gladys Young who bequeathed her house in West Worthing to the Board. After careful consideration it was decided to sell the property and re-invest the proceeds into another property in the area, more suited to the needs of our customers.

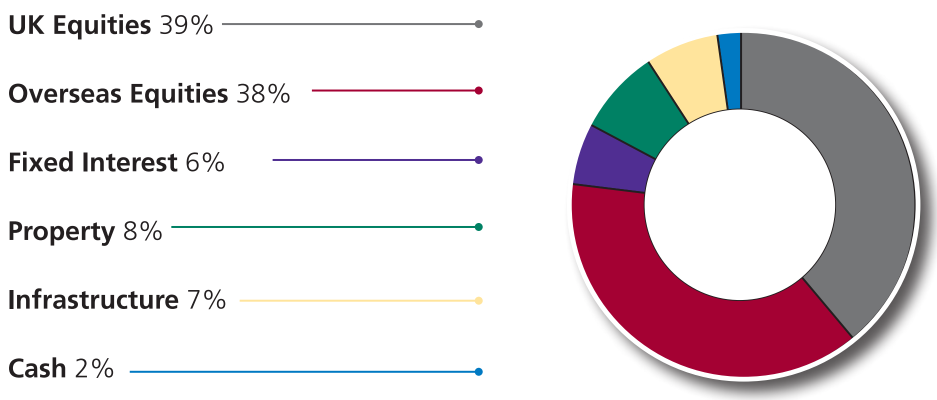
Bequests of property are always appreciated. Where the house is suitable for retirement living, it is used to house our beneficiaries.

Details of how you can support us through a bequest can be found on the Church of England website (www.churchofengland.org).

Charitable Funds

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund, which is a common investment fund established by the Church Funds Investment Measure 1958.

The CBF Investment Fund is well diversified and aims through active management to generate capital appreciation and rising income over time. At the end of 2011, the asset mix in the fund was as set out below:



Performance is reported in relation to a composite benchmark, which has an 80% allocation to equities (split 60% to the UK market and 20% to overseas markets), 10% to property and 10% to UK Government bonds.

The performance of the two funds in which the charitable funds are invested, together with the allocation to each fund, is set out in the table below.

	Value £m	Allocation	1 year % pa	3 years % pa	5 years % pa
CCLA CBF Investment Fund	27.4	88%	-0.9%	8.9%	1.4%
Composite benchmark			-0.8%	11.2%	2.2%
CCLA Deposit Fund	3.7	12%	0.9%	1.0%	2.9%
Benchmark			0.5%	0.5%	2.4%
	31.1	100%			

The CBF Investment Fund returned slightly less than its composite benchmark in 2011. This was due to a cautious stance on fixed interest securities, which generated strong returns over the year but in which the fund had a significant underweight position versus its comparator.

Reserves Policy

The Board annually considers the level of reserves that should be maintained within the charitable funds, and takes account of the requirements of the Charities SORP and the guidance issued by the Charities Commission (Charities and reserves CC19).

Restricted Funds

Restricted funds of £455,000 are set aside as they are not freely available to spend on the charity's purposes.

Designated Funds

A significant proportion of the Charitable Funds (£73.2m) is tied up in operational properties and not available to fund the day to day operations of the charity. Accordingly these are set aside as designated funds and comprise:

- the land, buildings and fixtures and fittings used for the provision of residential or nursing care;
- the land and buildings, net of mortgages, occupied by the retired ministry;
- land and buildings and investments held in trusts, the income from which self-funds the expenditure.

A further £1.3m has been designated for property maintenance.

General Funds

The Board has considered the business risks associated with its activities in order to establish a level of general reserves required to cover those risks, the major financial risks being:

- the levels of subsidy within the CHARM scheme;
- the dependency on investment income;
- the costs of major capital works;
- managing cash flow.

Based on this evaluation, the Board has identified a range of £25-30m to be an appropriate level of general (free) reserves for it to hold. The current level of £27.2m falls within this range.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF THE CHURCH OF ENGLAND PENSIONS BOARD ON THE CHARITABLE FUNDS AND TRUSTS

We have audited the financial statements of the Charitable Funds and Trusts of the Church of England Pensions Board (the "Board") for the year ended 31 December 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Board's Responsibilities Statement set out on page 17, the Board is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2011, and of the group's incoming resources and application of resources and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Board's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 May 2012

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011

The Charitable Funds and Trusts of the Church of England Pensions Board

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	CHARM 2011 £'000	Other Charitable 2011 £'000	Unrestricted 2011 £'000	Restricted 2011 £'000	Total 2011 £'000	Total 2010 £'000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Donations		-	245	245	-	**245**	267
Legacies and property donated		-	647	647	-	**647**	235
Income from investments and deposits	3	-	1,356	1,356	-	**1,356**	1,347
Incoming resources from charitable activities							
Grants receivable and subsidies	4,8	3,563	76	3,639	-	**3,639**	3,695
Properties let under licence	5a	5,561	-	5,561	-	**5,561**	5,242
Mortgage loans- interest receivable	5b	2,909	-	2,909	-	**2,909**	3,414
Shared ownership	5c	376	-	376	141	**517**	340
Supported housing schemes and nursing home fees	6	-	2,205	2,205	2,641	**4,846**	4,508
Other incoming resources							
Gains on sales of housing scheme properties		-	2,721	2,721	-	**2,721**	4,024
Gains on redemption of housing scheme mortgages		-	53	53	-	**53**	187
Total incoming resources		12,409	7,303	19,712	2,782	**22,494**	23,259
Resources expended							
Charitable expenditure							
Costs of generating funds							
Costs of generating voluntary income		-	(125)	(125)	-	**(125)**	(114)
Charitable activities							
Grants payable	8	-	(257)	(257)	-	**(257)**	(405)
Properties let under licence	5a	(9,506)	-	(9,506)	-	**(9,506)**	(9,720)
Mortgage loans – interest and other costs	5b	(3,291)	-	(3,291)	-	**(3,291)**	(3,881)
Shared ownership	5c	(871)	-	(871)	-	**(871)**	(743)
Supported housing schemes and nursing home	6	-	(3,131)	(3,131)	(2,589)	**(5,720)**	(5,705)
Impairment adjustment	14	-	562	562	-	**562**	-
Investment property costs		-	(38)	(38)	-	**(38)**	(49)
		(13,668)	(2,864)	(16,532)	(2,589)	**(19,121)**	(20,503)
		(13,668)	(2,989)	(16,657)	(2,589)	**(19,246)**	(20,617)
Governance costs	9	-	(116)	(116)	-	**(116)**	(116)
Other resources expended	10	(486)	-	(486)	-	**(486)**	(1,162)
Total resources expended		(14,154)	(3,105)	(17,259)	(2,589)	**(19,848)**	(21,895)
Net incoming/(outgoing) resources before other recognised gains/(losses)		(1,745)	4,198	2,453	193	**2,646**	1,364
Other recognised gains/(losses)							
Gains on revaluation of fixed assets for charity's own use	14	-	6,487	6,487	-	**6,487**	-
(Losses)/gains on investment assets	15	-	(1,690)	(1,690)	-	**(1,690)**	2,277
Net movement in funds		(1,745)	8,995	7,250	193	**7,443**	3,641
Fund balances at 1 January				94,518	262	**94,780**	91,139
Fund balances at 31 December	20			101,768	455	**102,223**	94,780

All activities are classed as continuing
There are no other gains and losses apart from those recognised above and therefore no separate statement of gains and losses has been prepared
The notes on pages 34 to 49 form part of these financial statements.

The Charitable Funds and Trusts of the Church of England Pensions Board

CONSOLIDATED BALANCE SHEET – 31 DECEMBER 2011

		Consolidated		Charity	
	Notes	Total 2011 £'000	Total 2010 £'000	Total 2011 £'000	Total 2010 £'000
Fixed assets					
Freehold and leasehold properties let under licence	13	**124,174**	120,415	**124,174**	120,415
Mortgage loans receivable	13	**57,492**	60,893	**48,440**	51,261
Freehold nursing home and residential schemes	14	**26,107**	19,435	**26,107**	19,435
Investments	15	**27,853**	29,543	**27,853**	29,543
IT systems	16	**374**	498	**374**	498
		236,000	230,784	**226,948**	221,152
Current assets					
Debtors	17	**1,028**	2,417	**10,193**	12,040
Cash at bank and in hand		**12,156**	7,474	**11,910**	7,369
		13,184	9,891	**22,103**	19,409
Creditors – amounts falling due within one year	18	**(3,735)**	(4,903)	**(3,609)**	(4,798)
Net current assets		**9,449**	4,988	**18,494**	14,611
Total assets less current liabilities		**245,449**	235,772	**245,442**	235,763
Creditors – amounts falling due after one year	19	**(143,226)**	(140,992)	**(143,226)**	(140,992)
Net assets		**102,223**	94,780	**102,216**	94,771
Accumulated funds					
Unrestricted funds					
General	20	**27,229**	94,518	**27,222**	94,509
Designated	20	**74,539**	-	**74,539**	-
		101,768	94,518	**101,761**	94,509
Restricted funds	20	**455**	262	**455**	262
Net funds		**102,223**	94,780	**102,216**	94,771

The notes on pages 34 to 49 form part of these financial statements.

These financial statements were approved by the Board on 15 May 2012 and signed on its behalf by:

Dr Jonathan Spencer
Chairman

The Rt Revd David Walker
Vice Chairman

Bernadette Kenny
Secretary & Chief Executive

The Charitable Funds and Trusts of the Church of England Pensions Board

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

		2011 £'000	2010 £'000
Net incoming resources before other recognised gains/(losses)		**2,646**	1,364
Surplus on sale of housing scheme properties		**(2,721)**	(4,024)
Surplus on redemption of housing scheme mortgages		**(53)**	(187)
Impairment adjustment		**(562)**	-
Depreciation of leasehold properties		**134**	160
Depreciation of homes buildings and fixtures and fittings		**768**	753
Decrease in debtors		**1,389**	2,682
(Decrease)/increase in creditors		**(1,168)**	311
Net cash inflow from operating activities		**433**	1,059
Capital expenditure and financial investment			
Rental properties	- purchases	**(8,199)**	(11,040)
	- sales	**8,616**	9,383
Shared ownership	- purchases	**(1,589)**	(5,654)
	- sales	**-**	-
Mortgage loans	- repayments	**3,454**	3,888
Residential schemes	- new building works	**(109)**	(90)
	- fixtures and fittings	**(116)**	6
Other	- fixtures and fittings	**(42)**	(664)
Investments	- sales	**-**	700
Investment properties	- sales	**-**	299
Net cash inflow/(outflow) from investing activities		**2,015**	(3,172)
Net cash inflow/(outflow) before financing		**2,448**	(2,113)
Financing			
Cash (paid)/received on loans from:			
Church Commissioners			
for rental properties		**(3,561)**	2,943
for mortgages		**(2,652)**	(5,711)
for shared ownership		**(53)**	4,598
for Ordination of Women Legislation (OWL)		**-**	(701)
Santander		**8,500**	2,500
Net cash inflow on financing		**2,234**	3,629
Increase in cash		**4,682**	1,516
Net cash resources at 31 December 2010		**7,474**	5,958
Net cash resources at 31 December 2011		**12,156**	7,474

Notes to the financial statements of the Charitable Funds and Trusts

Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice 2005 (SORP) "Accounting and Reporting by Charities", and the Charities Act 2011.

The financial statements have been prepared on the going concern assumption and accruals concept and provide information that is relevant, reliable, comparable and understandable.

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value and certain assets at valuation, and on the basis of the following accounting policies which have been consistently applied.

1.2 Basis of consolidation

The financial statements of the Charitable Funds and Trusts administered by the Board are combined in these financial statements.

In 1995, the Board acquired a subsidiary company, CEPB Developments Ltd, which handled the development of various homes. In 2005, the Board acquired another subsidiary, CEPB Mortgages Ltd, a company limited by guarantee, which is handling all new mortgage advances. The financial statements of these 100% owned subsidiaries are consolidated within the General Purposes Fund in these financial statements. Intra-group transactions are eliminated fully on consolidation and uniform accounting policies have been adopted across the Group.

1.3 Funds

Unrestricted Funds - General
General Funds are funds which the Board can use for its general charitable objectives.

Unrestricted Funds - Designated
These consist of Unrestricted Funds which the Board has designated to be set aside as assets used in the provision of its charitable activities or for support of particular purposes. There are no legally binding restrictions on them and the Board is free to redesignate these funds should this be necessary. Details of each fund are disclosed in the Statement of funds (note 20).

Restricted Funds
These consist of the income and expenditure of the shared ownership scheme (except for costs associated with the purchase of a property) and a proportion of the income and expenditure of the residential schemes. Certain costs relating to the provision of services for both shared ownership and residential schemes are funded via a service charge, the funds so contributed belong to the occupants until such time as the funds are utilised.

2. Statement of accounting policies

Incoming resources

All incoming resources are included in full in the Statement of Financial Activities as soon as the following three factors can be met:

- Entitlement – arises when a particular resource is receivable or the charity's right becomes legally enforceable;
- Certainty – when there is reasonable certainty that the incoming resource will be received;
- Measurement – when the monetary value of the incoming resource can be measured with sufficient reliability.

2.1 Donations, legacies and properties donated

a) Donations
Donations receivable for the general purposes of the Charity are credited to Unrestricted Funds. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding on the Board.

b) Legacies and properties donated
Legacies are included in incoming resources once they have been received or receipt becomes reasonably certain. This will be once confirmation has been received from the representatives of the estate that payment of the legacy will be made or property transferred and once all conditions attached to the legacy have been fulfilled.

As at 31 December 2011 legacies, including properties, totalling £50k (2010 £100k) were expected from estates where probate had already been granted. These have not been included in the accounts as the residual values are estimated, additional costs may arise and there is potential for the will to be challenged and additional beneficiaries to appear.

2.2 Income from investments and deposits

Investment and deposit income for the year comprises dividends receivable and interest accrued for the year to 31 December.

2.3 Incoming resources from charitable activities

The majority of the income receivable is in respect of housing provision for retired clergy.

a) Grants receivable and subsidies: - The Archbishops' Council, from money provided by dioceses, meets, in respect of (i) properties let under licence, the excess of direct expenditure and interest payable over maintenance contributions receivable, and (ii) value linked mortgages, the contributions made towards borrowers' legal and other professional costs. The Church Commissioners meet the equivalent costs for those who resigned under the Ordination of Women Legislation (OWL). The grant is recognised in the period of entitlement.

b) Properties let under licence: - Beneficiaries in the CHARM scheme pay a maintenance contribution for properties occupied under licence. Income is recognised in the period in which the maintenance contribution becomes due.

c) Mortgage loans - interest receivable: - Those beneficiaries who have opted to take out mortgages are charged interest on the loan. Interest is accrued when it is due under current payment terms.

d) Shared ownership: - Shared ownership residents are charged an annual rental amount, as well as meeting the costs of any maintenance on the property incurred by the Board. Income is recognised in the period in which entitlement to the income is met.

e) Supported housing schemes and nursing home: - Occupants of the nursing home and supported accommodation pay fees that contribute to the Board's costs. Income is recognised in the period in which entitlement to the income is met.

2.4 Other incoming resources

Other incoming resources comprise gains on the sale of housing scheme properties and gains on the redemption of housing scheme mortgages. These are recognised at the earlier of receipt or entitlement.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Liabilities are recognised when an obligation arises to transfer economic benefit as a result of past transactions or events.

2.5 Costs of generating funds

Costs of generating funds comprise the costs involved in fundraising and appeals. These are accounted for on an accruals basis.

2.6 Charitable activities

Charitable activities consist of all direct costs incurred relating to the objectives of the Charity and are accounted for on an accruals basis. This also includes support costs which have been allocated across service lines based on defined allocations.

Grants Payable: - Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard (the standard is reviewed annually).

2.7 Governance costs

Expenditure under this heading includes Board members' expenses, a proportion of salary costs related to governance, internal and external audit charges and other related general office costs associated with governance.

2.8 Support costs

Management and administration costs include expenditure on the administration of the charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of indirect costs.

2.9 Pensions

Pension benefits for the staff for whom the Board is managing employer are entitled to participate in either defined benefit or defined contribution schemes. Pension benefits for managerial staff within the nursing home and residential schemes are provided by a defined benefit scheme. Pension benefits for other nursing home and residential schemes staff are provided by a defined contribution scheme. For each scheme the amounts charged in the statement of financial activities in respect of staff pension costs are the contributions payable in the year (note 12).

2.10 Irrecoverable VAT

Irrecoverable VAT is included within the associated expenditure items.

2.11 Freehold and leasehold properties let under licence

(a) Cost or valuation

All properties are shown at original cost to the Board except for:

(i) properties received as a gift which are included at the value placed on them by the Board when received;

(ii) properties purchased with the help of a diocesan or other grant which are included at net cost to the Board;

(iii) capitalised building works. When the cost of works to a Church Commissioners property in a calendar year exceeds £5k, 40% of the excess cost attributable to the improvement of the property is capitalised.

(b) Depreciation

(i) No provision is made in these financial statements for the depreciation of freehold properties, as the Board considers that their current values are greater than the amounts included in these financial statements (see note 13(c)).

(ii) Leasehold properties are depreciated on a straight line basis over the lesser of the life of the lease and 100 years.

(c) Impairment review

(i) Properties funded by the Church Commissioners are not reviewed for impairment as all sales proceeds are remitted back to the Church Commissioners

(ii) Properties funded by the Board are subject to review in June each year following annual valuation.

2.12 Mortgage loans receivable

Loans are shown at cost.

2.13 Nursing home and residential schemes

The nursing home and residential schemes are included in the financial statements at existing use value as at 31 December 2011. The Board values these on a triennial basis, and obtained a valuation from surveyors Knight Frank as at 31 December 2011. The properties were individually valued at market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors. In those years when a valuation is not undertaken, the Board reviews the values taking into account market conditions. The Board has made a provision for depreciation of the nursing home and residential schemes in accordance with FRS15 with effect from 1 January 2006 (note 14) on a straight line basis over 40 years.

Fixtures and fittings are capitalised at cost or valuation and are depreciated on a straight line basis over 10 years.

2.14 Investments

(a) Basis of valuation

Investments are valued at their closing mid-market prices at 31 December. The Board intends to dispose of the investment properties as soon as possible. A desk top valuation of these properties has indicated that there is insufficient comparable data available for the Board to provide a realistic revaluation and, given its intentions, the Board considers it inappropriate to incur costs to obtain valuations. As a result the investment properties are shown at cost in the financial statements.

(b) Gains and losses on investment assets

Gains and losses on investment assets represent (i) the profits or losses realised on the sale of investments during the year, plus (ii) the movement in the value of investments held during the period resulting in unrealised gains and losses. These are shown separately in the appropriate section of the consolidated statement of financial activities.

2.15 IT systems

IT systems are capitalised at cost or valuation and depreciated on a straight line basis over 5 years. Systems are capitalised under construction until implemented and at that stage depreciation commences.

3. Income from investments and deposits

	2011 £'000	2010 £'000
Dividends receivable from investments	**1,302**	1,307
Rental income	**45**	32
Bank interest	**9**	8
Total	**1,356**	1,347

4. Grants receivable and subsidies

The analysis of grants receivable and subsidies was as follows:

	2011 £'000	2010 £'000
Grants from Archbishops' Council for:		
Properties let under licence (note 5a)	**2,324**	2,069
Contributions by Archbishops' Council to administration costs	**1,092**	1,154
	3,416	3,223
Contributions by Church Commissioners to grants	**76**	164
Contributions by Church Commissioners to administration costs	**-**	19
Contributions by Church Commissioners to OWL property costs	**125**	85
Contributions by Archbishops' Council towards rented property interest costs	**-**	181
Subsidy from the Church Army	**22**	23
Total	**3,639**	3,695

5. Housing schemes

The Board's Charitable Funds and Trusts provide housing accommodation and mortgage finance for its beneficiaries, under the provisions of The Church of England Pensions Measures 1961 to 2003 and the Ordination of Women (Financial Provisions) Measure 1993.

	CHARM £'000	OWL £'000	2011 Total £'000	2010 Total £'000
a) Properties let under licence				
Income				
Subsidy from Archbishops' Council (note 4)	3,416	-	**3,416**	3,223
Interest subsidy from Archbishops' Council (note 4)	-	-	**-**	181
Subsidy from Church Commissioners (note 4)	-	125	**125**	104
Subsidy from Church Army (note 4)	22	-	**22**	23
	3,438	125	**3,563**	3,531
Residents' maintenance contributions	5,482	79	**5,561**	5,242
	8,920	204	**9,124**	8,773
Direct expenditure				
Repairs and maintenance	(3,118)	(54)	**(3,172)**	(2,857)
Water, insurance, management fees and general expenses	(1,317)	(26)	**(1,343)**	(1,720)
Administration and management charge	(1,048)	(17)	**(1,065)**	(890)
Depreciation	(37)	(3)	**(40)**	(14)
	(5,520)	(100)	**(5,620)**	(5,481)
Interest on loans	(3,796)	(90)	**(3,886)**	(4,239)
	(9,316)	(190)	**(9,506)**	(9,720)
Net cost to the Board	(396)	14	**(382)**	(947)

The operating deficit in respect of the properties let under licence is met almost completely by subsidies from the Archbishops' Council. However, the calculation of these subsidies does not include the income and expenditure for the properties owned by the Board's Trusts and Depreciation of leasehold properties funded by Church Commissioners' loans, nor is any allowance made for interest on the capital invested in the schemes by the Board.

	2011 Total £'000	2010 Total £'000
b) Mortgage loans - CHARM		
Interest receivable	**2,909**	3,414
Interest payable	**(3,008)**	(3,584)
Contributions to borrowers' fees	**(36)**	(57)
Administration and management charge	**(247)**	(240)
	(3,291)	(3,881)
Net cost to the Board	**(382)**	(467)

	Unrestricted £'000	Restricted £'000	2011 Total £'000	2010 Total £'000
c) Shared Ownership				
Income	376	141	**517**	340
Legal and professional costs	(120)	-	**(120)**	(63)
Administration and management charge	(382)	-	**(382)**	(360)
Other expenditure	(369)	-	**(369)**	(320)
	(871)	-	**(871)**	(743)
Net (cost)/surplus to the Board	(495)	141	**(354)**	(403)

6. Freehold nursing home and residential schemes

	Unrestricted £'000	Restricted £'000	2011 Total £'000	2010 Total £'000
Income				
Fees receivable	2,205	2,641	**4,846**	4,508
Expenditure				
Staff costs	(929)	(1,666)	**(2,595)**	(2,587)
Food	(75)	(392)	**(467)**	(371)
Repairs, maintenance and other costs	(576)	(531)	**(1,107)**	(1,054)
Administration expenses	(798)	-	**(798)**	(880)
Depreciation of fixtures and fittings	(732)	-	**(732)**	(753)
	(3,110)	(2,589)	**(5,699)**	(5,645)
Contributions to beneficiaries' fees in other homes	(21)	-	**(21)**	(60)
	(3,131)	(2,589)	**(5,720)**	(5,705)
Net (cost)/surplus to the Board	(926)	52	**(874)**	(1,197)

The local costs, including staff costs, of running the Board's residential schemes and nursing home are borne by both the Charitable Funds and residents of the residential schemes (in the form of service charges).

7. Charitable activities

	Direct costs £'000	Support Costs £'000	2011 Total £'000	2010 Total £'000
Expenditure				
Grants payable	(257)	-	**(257)**	(405)
Properties let under licence	(8,412)	(1,094)	**(9,506)**	(9,720)
Mortgage loans - interest on borrowings and loan costs	(3,044)	(247)	**(3,291)**	(3,881)
Shared ownership	(489)	(382)	**(871)**	(743)
Supported housing schemes and nursing home	(4,922)	(798)	**(5,720)**	(5,705)
Impairment adjustment	562	-	**562**	-
Investment property costs	(34)	(4)	**(38)**	(49)
Total 2011	**(16,596)**	**(2,525)**	**(19,121)**	
Total 2010	(18,084)	(2,419)		(20,503)

Support costs

	Housing £'000	Management £'000	Shared services £'000	2011 Total £'000	2010 Total £'000
Properties let under licence	366	382	346	**1,094**	935
Mortgage loans - interest on borrowings and loan costs	149	30	68	**247**	240
Shared ownership	209	35	138	**382**	360
Supported housing schemes and nursing home	483	64	251	**798**	880
Investment property costs	2	1	1	**4**	4
Total 2011	**1,209**	**512**	**804**	**2,525**	**2,419**
Total 2010	1,171	658	590	-	2,419

Basis of Allocation of Support Costs

Housing administration costs are allocated 1/3 to properties let under licence, 1/3 to supported housing schemes and nursing home, and 1/3 between mortgage loans and shared ownership. 95% of the cost of the customer service department is allocated to properties let under licence with the remaining 5% allocated to Shared Ownership. Centrally incurred costs are allocated on a per head basis.

8. Grants

	2011 £'000	2010 £'000
Contributions by Church Commissioners to grants (note 4)	**76**	164
Grants paid	**(257)**	(405)
Net cost to the Board	**(181)**	(241)

9. Governance costs

	2011 £'000	2010 £'000
Internal and external audits	**79**	82
Support costs	**32**	29
Members and committee meetings	**5**	5
	116	116

The fee, including VAT, for external audit services during the year was £120k (2010 : £120k) for both the Pension Funds and Charitable Funds; the portion allocated to Charitable Funds and reflected within governance costs was £69k (2010 : £72k).

10. Other resources expended

	2011 £'000	2010 £'000
Refinancing	**486**	667
Restructuring	**-**	495
	486	1,162

Refinancing includes the cost of securitising the Board's properties against the loan facilities with Santander (note 13 (a)), and the amortisation charge of the arrangement fee. In 2010 the loan facility cost £1,150k of which the 1% arrangement fee of £500k was capitalised and amortised over the 15 year length of the facility.

Restructuring costs of £495k in 2010 related to a major restructure within the Housing Department .

11. Staff numbers and costs

The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the other staff of the NCIs; as such it is the managing employer of those staff directly involved in the Board's activities and the shared service Internal Audit Department. The Board is also sole employer of staff working in the residential schemes and the nursing home. The cost of staff for whom the Board is managing and sole employer was:

	Total cost 2011 £'000	Internal audit charged to other NCIs £'000	Charged to pension schemes £'000	Net Charitable cost 2011 £'000	Net Charitable cost 2010 £'000
Salaries	**4,381**	(187)	(830)	**3,364**	3,390
National Insurance contributions	**422**	(21)	(92)	**309**	264
Pension costs	**792**	(41)	(200)	**551**	441
Total	**5,595**	(249)	(1,122)	**4,224**	4,095

The average number of staff for whom the Board was managing and sole employer during the year was:

		2011 Number £'000	2010 Number £'000	2011 FTE £'000	2010 FTE £'000
As sole employer:					
Residential schemes and nursing home	all employed on charitable activities	**177**	171	**78**	71
As managing employer:					
Pensions		**20**	19	**20**	20
Housing	all employed on charitable activities	**26**	29	**23**	25
Fundraising	all employed on charitable activities	**1**	1	**1**	1
Management and secretarial support	the equivalent of 3 FTE employed on charitable activities (2010: 4)	**5**	6	**5**	6
Internal Audit	the equivalent of 2 FTE employed on charitable activities (2010: 1)	**6**	6	**6**	6
		58	61	**55**	58
Total		**235**	232	**133**	129

Although staff resource is involved in the work of the subsidiaries (CEPB Developments Limited and CEPB Mortgages Limited) as these are wholly owned, the Board has not charged any staff costs to these entities.

The staff costs recovered for providing internal audit shared services to the NCIs was £249k (£2010: £267k).

The Board's staff costs which are recharged to the Pensions Schemes are the cost of the Pensions Department and a share of the Support functions.

The number of staff whose emoluments, excluding pension contributions, for the year exceeded £60,000 were:

	2011 Number	2010 Number
£60,000-£70,000	**2**	2
£70,000-£80,000	**1**	-
£80,000-£90,000	**1**	1
£140,000-£150,000	**-**	1

No staff in the residential schemes or nursing home were paid more than £60,000.

All 4 (2010: 4) staff above are members of the Church Administrators Pension Fund. Of these, 2 (2010: 1) accrue benefits under a defined contributions scheme for which contributions for the year were £22k (2010: £10k). The remaining 2 (2010: 3) staff accrue benefits under a defined benefit scheme for which the contributions for the year were £17k (2010: £47k).

The highest paid member of staff's annualised salary was £140,000 in the year to 31 December 2011, which was 12 times the salary earned by the lowest paid member of staff and 7 times the median salary paid in the year. These figures include the full time equivalent salaries paid to domestic workers based in the seven residential homes and the nursing home operated by the Board, who are employed on an 'as and when' basis.

The Board shares the costs of the shared service departments managed by the Archbishops' Council (AC), the Church Commissioners (CC) and the Board (PB) on behalf of the NCIs. Those departments provide finance and resources (CC), internal audit (PB), communications (AC), information technology (CC), human resources (AC), legal (AC), records (CC) and office services (CC) to the NCIs. The average number employed was 129 (2010: 126).

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2011, 20 members claimed a total of £13,535 (2010 £10,387). This cost is apportioned to both the Charitable Funds and the Pension Schemes.

12. Staff Pensions

The staff for whom the Board is managing employer were entitled to participate in either defined benefit or defined contribution schemes. For service from January 2000 these benefits are provided through membership of the Church Administrators Pension Fund. For service prior to that date the benefits are a charge on the Church Commissioners. The defined benefits section of the fund was closed to new members, and a new defined contribution section introduced, with effect from 1 July 2006. The actuary has advised that as the fund is a pooled fund covering all staff of the National Church Institutions it is not possible to identify the Board's share of the underlying assets and liabilities of the fund. Consequently the entire arrangement should be treated as a defined contributions scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £369k (2010: £350k) were paid to the fund, which includes a share of payments under the recovery plan agreed between the employers and the Trustees to remove the shortfall in the Fund over 15 years. Contributions of £123k (2010 £93k) were paid to the defined contribution section of the fund. Fuller details of the fund, together with a statement from the actuary, are given on pages 77 to 80, and pages 94 to 95 of this report. These costs are apportioned between the Charitable Funds and the Pension Schemes.

For staff in the Board's homes, pensions are provided through the Church Workers Pension Fund. Managerial staff are members of the defined benefits section of the fund but as the fund is effectively a pooled arrangement for a wide variety of lay employees of the Church of England, the actuary has advised that it would be very difficult to determine the Board's share of the underlying assets and liabilities of the fund. Consequently he has advised that the arrangement should be treated as a defined contribution scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £159k were paid in respect of 16 current members of the fund of which £37k relates to deficit funding. There are also 11 former members of staff with deferred benefits from the scheme.

Other staff in the homes are entitled to pension benefits from the defined contributions section of the fund, after a qualifying period of service. In 2011 contributions of £281k were paid in respect of 89 employees. 71 former members of staff have preserved benefits in the scheme.

The latest actuarial valuation for the Church Workers Pension Fund was performed at 31 December 2010. This valuation showed an overall deficit on the scheme of £44.7m. The number of staff whose benefits have been secured through employment with the Charitable Funds was 27 at 31 December 2011. This compares to the total membership of the fund of 7,715.

Fuller details of the fund, together with a statement from the actuary are given on pages 75 to 76, and pages 92 to 93 of this report.

13. Fixed assets - Housing schemes

The properties let under licence and the mortgage loans receivable, whether under the shared ownership scheme (see pages 22 to 23 for further details), the CHARM scheme for retired clergy or the scheme under the legislation for the ordination of women (OWL), are as follows:

	Shared Ownership	CHARM	OWL	2011 Total	2010 Total
Properties	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation 1 January 2011	8,197	111,613	1,753	**121,563**	110,346
Additions in the year	1,589	8,199	-	**9,788**	16,694
Disposals	(83)	(5,810)	(82)	**(5,975)**	(5,477)
31 December 2011	9,703	114,002	1,671	**125,376**	121,563
Depreciation					
1 January 2011	-	1,078	70	**1,148**	1,106
Charge for the year	-	120	14	**134**	160
Disposals	-	(68)	(12)	**(80)**	(118)
31 December 2011	-	1,130	72	**1,202**	1,148
Net book value 31 December 2011					
Freehold	9,703	101,533	1,261	**112,497**	109,754
Leasehold	-	11,339	338	**11,677**	10,661
	9,703	112,872	1,599	**124,174**	120,415
Mortgages receivable					
Mortgage loans 31 December 2011	-	57,492	-	**57,492**	60,893
	9,703	170,364	1,599	**181,666**	181,308

(a) The greater part of the housing assistance provided since January 1983 is arranged through the Housing Scheme, which was run with the financial support, for capital purposes, of the Church Commissioners (CC) until 1 July 2010. The CC provided loan capital to the Board to enable it to finance the purchase of properties and to grant mortgage loans. Such loans carry the right of the CC, on the sale of properties or on the redemption of the mortgages, to share any gains or losses in the values of the relevant properties by reference to the capital sum advanced as a proportion of the initial value of the property. The net gains on the disposal of CC rented properties for 2011 was £3.7m (2010: £5.7m) and legal and professional fees incurred on their disposal were £162k (2010: £270k). The net gains on the disposal of CC OWL rented properties for 2011 were £Nil (2010: £500k) and legal and professional fees incurred on their disposal were £Nil (2010: £14k).

From 29 June 2010 loan facilities have been arranged with the Santander Group through Abbey National Treasury Services PLC (note 19).

In addition to these arrangements:

(i) Some Diocesan Boards of Finance have assisted the Board with purchases on similar terms to those made with the CC.

(ii) The CC have continued to finance the pre-1983 mortgage scheme.

(b) At 31 December 2011 the numbers of properties and mortgage loans under administration were:

	Rental Properties Number	Mortgages Number	Shared Ownership Number
Within the 1983 Housing Scheme:			
Santander	69	-	32
Church Commissioners with equity sharing interests	768	1,091	70
Diocesan Boards of Finance and Others with equity sharing interests	40	1	-
The Board with 100% interests	316	21	2
Managed on behalf of other Church bodies	19	-	-
	1,212	1,113	104
Others - non-equity sharing mortgages	-	18	-
	1,212	**1,131**	**104**

(c) The Board annually makes a general valuation review of all properties (including those owned by Trusts) and mortgage loans. The valuation is carried out by appropriately qualified individuals. The basis of the valuation is open market value, assuming vacant possession (at the date of disposal or redemption), using original cost increased in line with building society indices, less 15% to allow for the fact that the properties are occupied and could not be sold with vacant possession.

The review made as at 31 December 2011 gave an approximate value for all properties and mortgage loans of £399m (2010: £350m), compared with their net book value of £181m (2010: £181m). Summary details are:

	Book Value £m	Estimated Market Value £m
Freehold and leasehold properties	114	257
Shared Ownership	10	10
Mortgage loans	57	132
	181	**399**
Financed by:		
Church Commissioners	130	294
Board and others	51	105
	181	**399**

14. Freehold nursing home and residential schemes

The nursing home and residential schemes in service as at 31 December 2011 were revalued by Knight Frank at 31 December 2011, on the basis of open market value of the properties, including fixtures and fittings, for existing use purposes.
A summary of the movements for the year is as follows:-

	Land £'000	Buildings £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation at 1 January 2011	4,371	16,804	3,028	**24,203**
Additions in year	-	109	116	**225**
Net revaluation surpluses	283	4,203	-	**4,486**
Cost or valuation at 31 December 2011	4,654	21,116	3,144	**28,914**
Depreciation at 1 January 2011	-	(2,143)	(2,625)	**(4,768)**
Charge for year	-	(420)	(182)	**(602)**
Net revaluation surpluses	-	2,563	-	**2,563**
Depreciation at 31 December 2011	-	-	(2,807)	**(2,807)**
At cost	-	-	118	**118**
At valuation	4,654	21,116	219	**25,989**
Net book value at 31 December 2011	4,654	21,116	337	**26,107**
Net book value at 31 December 2010	4,371	14,661	403	**19,435**

Revaluation

The following arise as a result of revaluation:-

	Land £'000	Buildings £'000	Fixtures and Fittings £'000	Total £'000
Balance Sheet:				
Adjustment to asset cost from revaluation	283	3,812	-	**4,095**
Increase in cost due to impairment adjustment	-	391	-	**391**
Total increase in cost	283	4,203	-	**4,486**
Depreciation writeback arising from revaluation	-	2,392	-	**2,392**
Depreciation writeback arising from impairment adjustment	-	171	-	**171**
Total writeback of depreciation	-	2,563	-	**2,563**
	283	6,766	-	**7,049**
Consolidated Statement of Financial Activities:				
Revaluation reflected as other recognised gains/(losses)	283	6,204	-	**6,487**
Impairment adjustment reflected within Charitable Expenditure	-	562	-	**562**
	283	6,766	-	**7,049**

15. Investments of Charitable Funds and Trusts

As at 31 December 2011, the investments of the Charitable Funds and Trusts comprised the following:-

	2011 £'000	2010 £'000
At 1 January	**29,543**	28,265
Disposals	**-**	(999)
Net (loss)/gain on revaluation	**(1,690)**	2,277
Total	**27,853**	29,543

	2011 £'000	2010 £'000
The Investments are held as:		
CBF Investment Funds	**27,417**	29,096
The Charities Official Investment Fund units	**148**	156
UK Government stock	**16**	17
Other	**1**	3
Property	**271**	271
Total	**27,853**	29,543

The CBF Investment Funds are held within the CBF Church of England funds managed by CCLA Investment Management Ltd. The allocation of the holding at 31 December was:

	%	%
UK Equities	**39.3**	50.7
Overseas Equities	**38.7**	37.7
Property & Infrastructure	**13.9**	8.5
Fixed Interest	**5.7**	1.6
Cash	**2.4**	1.5
	100.0	100.0

The Charity owns 100% of the issued and authorised shares of CEPB Developments Ltd. (note 21) amounting to £2 (2010: £2).

16. IT systems

	Systems under construction £'000	IT systems £'000	2011 Total £'000	2010 Total £'000
Cost or valuation at 1 January	-	830	**830**	-
Additions	42	-	**42**	-
Transfer			**-**	830
Cost or valuation at 31 December	42	830	**872**	830
Depreciation at 1 January		(332)	**(332)**	-
Transfer	-	-	**-**	(166)
Provision for year	-	(166)	**(166)**	(166)
Depreciation at 31 December	-	(498)	**(498)**	(332)
Net book value at 31 December	42	332	**374**	498

17. Current assets

	Consolidated 2011 £'000	Consolidated 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Trade debtors	**861**	1,420	**856**	1,408
Other debtors	**167**	997	**166**	912
Subsidiary companies	**-**	-	**9,171**	9,720
Total	**1,028**	2,417	**10,193**	12,040

18. Creditors – amounts falling due within one year

	Consolidated 2011 £'000	Consolidated 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Trade creditors	**3,243**	4,764	**3,243**	4,746
Other creditors	**492**	139	**366**	52
Total	**3,735**	4,903	**3,609**	4,798

19. Creditors – amounts falling due after more than one year

	Consolidated 2011 £'000	Consolidated 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Loans from Church Commissioners	**130,621**	136,887	**130,621**	136,887
Loans from Santander	**11,000**	2,500	**11,000**	2,500
Other creditors	**1,605**	1,605	**1,605**	1,605
Total	**143,226**	140,992	**143,226**	140,992

Loans from Church Commissioners were made up as follows:-

	Shared Ownership £'000	CHARM £'000	2011 Total £'000	2010 Total £'000
Property let under licence	-	69,124	**69,124**	72,685
Mortgage loans/Shared Ownership	7,078	54,419	**61,497**	64,202
	7,078	123,543	**130,621**	136,887

A loan facility of £50m was arranged with Santander through Abbey National Treasury Services PLC and is secured by fixed charges over certain housing properties owned by the Board. Repayment terms apply from the 10th anniversary of the arrangement of the loan facility (29 June 2020), such that the borrowings are fully repaid by the 15th year. An initial drawdown of £2.5m was made in 2010 and a further £8.5m in 2011, secured against 113 (2010: 118) Board owned properties with an occupied value of £19.9m (2010: £20.7m). Interest chargeable was 0.7% above LIBOR.

20. Statement of funds

		1 January 2011 £'000	Incoming resources £'000	Outgoing resources £'000	Gains and losses £'000	Transfers £'000	31 December 2011 £'000
Charity							
Unrestricted -	General	94,509	19,285	(16,830)	4,797	(74,539)	**27,222**
	Designated	-	-	-	-	74,539	**74,539**
Restricted		262	2,782	(2,589)	-	-	**455**
Total		94,771	22,067	(19,419)	4,797	-	**102,216**
Group							
Unrestricted -	General	94,518	19,712	(17,259)	4,797	(74,539)	**27,229**
	Designated	-	-	-	-	74,539	**74,539**
Restricted		262	2,782	(2,589)	-	-	**455**
Total		94,780	22,494	(19,848)	4,797	-	**102,223**

Represented by:	Unrestricted funds £'000	Restricted funds £'000	2011 Total funds £'000	2010 Total funds £'000
Tangible fixed assets	208,147	-	**208,147**	201,241
Investments	27,853	-	**27,853**	29,543
Current assets	12,729	455	**13,184**	9,891
Current liabilities	(3,735)	-	**(3,735)**	(4,903)
Long term liabilities	(143,226)	-	**(143,226)**	(140,992)
Total net assets	101,768	455	**102,223**	94,780

Unrestricted funds

General funds

These funds represent the unrestricted funds of The Church of England Pensions Board for general use in meeting the Board's responsibilities which are not designated for any particular purpose.

Designated funds

These consist of Unrestricted Funds which the Board have designated to be set aside, as assets used in the provision of its charitable activities, or, for support of particular purposes. Funds totalling £74,359k were transferred to designated funds from general fund during the year as follows:

a) CHARM operations fund represents the nets assets value of the CHARM properties - £42,579k.

b) Supported housing schemes and nursing home fund represents the assets value of the schemes and home - £26,107k.

c) Trusts fund represents the net assets held under other trusts - £4,553k.

d) Property maintenance fund for planned maintenance of the Board's properties - £1,300k.

Restricted funds

These are funds which represent the income for and cost of service charges for the residential housing schemes and the shared ownership scheme for which the Board acts as Trustee for the residents of these schemes.

21. Subsidiary companies

These financial statements include the financial statements of two subsidiary companies incorporated in the UK, CEPB Developments Ltd, the share capital of which is 100% owned by the Board and CEPB Mortgages Ltd., a company limited by guarantee.

The following results have been consolidated into the Group as at 31 December 2011:

	CEPB Mortgages Ltd £'000	CEPB Developments Ltd £'000	2011 Total £'000	2010 Total £'000
Turnover	426	26	**452**	594
Cost of sales	(427)	(26)	**(453)**	(594)
	(1)	-	**(1)**	-
Other income	1	-	**1**	-
Other expense	(2)	-	**(2)**	-
Loss	(2)	-	**(2)**	-

Turnover and Costs of sales are eliminated on consolidation.

The following net assets have been consolidated into the Group as at 31 December 2011:

	CEPB Mortgages Ltd £'000	CEPB Developments Ltd £'000	2011 Total £'000	2010 Total £'000
Tangible fixed assets	9,051	-	**9,051**	10,072
Current assets	231	34	**265**	371
Current liabilities	(1)	(34)	**(35)**	(52)
Long term liabilities	(9,274)	-	**(9,274)**	(10,381)
Total net assets	7	-	**7**	10

Long term liabilities are eliminated on consolidation as included within the Charity.

22. Capital commitments

At 31 December 2011 the following expenditure has been sanctioned but not spent:

Housing Schemes	Sanctioned and committed £000	Sanctioned but not committed £000
Freehold and leasehold property	689	2,304
Shared ownership	-	329

23. Related parties

As the two subsidiary companies referred to in note 21 are wholly owned by the Board they are related parties.

The Church of England Pensions Board Pension Funds

The Pensions Board has been administering pension provisions for the clergy since its establishment in 1926 by the Church Assembly.

These powers were subsequently widened so that the Pensions Board now acts as -

- Administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998;
- Trustee and administrator of
    - the Clergy (Widows and Dependants) Pension Fund
    - the Church Workers Pension Fund
    - the Church Administrators Pension Fund
- Administrator under the Ordination of Women (Financial Provisions) Measure 1993.

In these roles, the Board acts for over 34,000 members across more than 250 sponsoring employers.

Manage the pension schemes efficiently and effectively in accordance with the scheme rules and apply an investment strategy that maximises the Board's ability to ensure all liabilities are met as they fall due

The Church of England Funded Pensions Scheme (CEFPS)

Introduction

The funded scheme commenced on 1 January 1998 for the purpose of providing pensions and associated benefits for clergy and others in the stipendiary ministry. Pension benefits arising from service prior to 1998 continue to be financed wholly by the Church Commissioners. Those with periods of pensionable service both before and after the commencement of the CEFPS receive a single pension payment each month. The relevant parts are, however, identified and accounted for separately.

The volatility in markets and difficult economic climate led the Archbishops of Canterbury and York to reconvene the Pensions Task Group in 2009. Their task was to consult stakeholders to ensure that adequate provision for the retired clergy was made in a manner that was financially sustainable in the long term. Their recommendations were accepted by the Archbishops' Council and by the General Synod in February 2010. The recommended changes to benefits for future service were subject to a statutory consultation period with scheme members, following which the Archbishops' Council made certain amendments.

Scheme Rules

In July 2011, the General Synod approved a rule change which excluded any future holder of the office of Dean of the Cathedral Church of the diocese of Sodor and Man from receiving the higher pension normally attributable to holders of the office of Dean.

A full copy of the scheme rules is available on request.

Benefits

Changes to the rules of the scheme in 2010 affected the "maximum benefits" which members could expect to receive for a full service pension on retirement. For members who were able to complete the full service before their scheme retirement age, the position was:

- members who had completed full service before 1 January 2011 were entitled to a maximum pension of two-thirds of the National Minimum Stipend (NMS);
- members who joined on or after 1 January 2011 and completed full service will be entitled to a maximum pension of half of NMS;
- all other members will receive a maximum pension of somewhere between these two proportions of NMS dependant on the proportion of service completed before and after 1 January 2011;
- the Scheme is contracted into the State Second Pension.

The following table summarises the maximum benefits payable at scheme retirement ages to members in the first two categories, together with the figures for 2011.

Full service pension	1 April 2012 (1/2 of NMS)	1 April 2012 (2/3 of NMS)	1 April 2011 (1/2 of NMS)	1 April 2011 (2/3 of NMS)
Archbishops of Canterbury and York	21,370	28,494	20,430	27,240
Bishop of London	19,233	25,644	18,387	24,516
Other diocesan bishops	16,027	21,370	15,323	20,430
Suffragan bishops, deans and archdeacons	13,356	17,809	12,769	17,025
All clergy, other than those mentioned above, deaconesses and licensed lay workers	10,685	14,247	10,215	13,620
Full service retirement lump sum (3 x basic pension)	32,055	42,741	30,645	40,860
Surviving spouse or civil partner pension on death in service (2/3 of member's prospective pension)	7,123	9,498	6,810	9,080
Lump sum on death in full time pensionable service before age 65 (3 x NMS for previous year)	64,110	64,110	61,290	61,290

The length of service required to achieve full benefits under the scheme rose from 37 years to 40 years on 1 January 2008 and to 41.5 years on 1 January 2011. The change only affected the accrual of future service benefits from those dates.

Pension Increases

The rules of the CEFPS, and the regulations governing the previous arrangement funded by the Church Commissioners, provide that increases will be at the rate of the change in the Retail Prices Index (RPI) up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS.

The increase in RPI for the year to 30 September 2011 was 5.6%. Pensions in payment on 1 April 2011 increased therefore by 5.0% for service prior to 1 January 2008 and by 3.5% for service thereafter.

In the light of the recommendations of the Archbishops' Pensions Task Group, the Archbishops' Council, acting as the Central Stipends Authority, has agreed to adopt a policy that the NMS, upon which the pension is based, will, in future, increase on average in line with annual changes in the Retail Prices Index (RPI), subject to the need to review the position if high levels of inflation establish themselves and again, once the deficit on the pension scheme has been cleared.

Benefits Payable

The total benefits payable under the CEFPS in 2011 were £21.1m (£18.8m in 2010). A further £114.2m was paid by the Church Commissioners in respect of pensionable service up to 31 December 1997.

Membership Statistics

	At 31 December 2011	At 31 December 2010	% Change
Active Members	8,776	8,884	-1.2%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	1,831	1,778	3%
Pensions in payment*	9,720	9,554	1.7%
• *Receiving benefits under the post-1997 CEFPS scheme*	*4,891*	*4,470*	*9.4%*
• *Retired at or after the pension age*	*6,030*	*6,115*	*-1.3%*
• *Retired on ill health pension*	*1,474*	*1,480*	*–*
• *Retired on reduced pension*	*2,216*	*1,959*	*13.1%*
Widow(er)s pensions in payment	3,803	3,997	-4.8%

*Total number of clergy pensioners receiving pensions from both the CEFPS and the pre-1998 scheme.

Death Benefits

These lump sum benefits, introduced in 1988, are payable in three circumstances, as set out in the table below. The number of deaths in 2011 was marginally below the ten-year average of 20.7 per annum.

	2011	2010
Death in service under pension age	15	15
Death in service over pension age	1	2
Death after disability retirement	3	3
Total	19	20

Actuarial Valuation and Contributions

The last triennial valuation of the scheme was carried out as at 31 December 2009 and completed during the course of 2010. The statement and certificate are set out in Appendix 1.

The valuation revealed that the scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £867m at the valuation date, compared with a market value of assets of £605m. There was therefore a deficiency of £262m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- the modifications to the benefit structure of the scheme implemented on 1 January 2011;
- increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- an assumption that, over the long term, stipends will increase by the increase in the Retail Prices Index;
- in view of the scheme's increasing maturity, a further de-risking of the investment strategy which in effect moves the fund from being invested 100% in return-seeking assets to a 60:40 split between liability matching assets and return-seeking assets being achieved linearly by the end of 2029;
- the total expected rate of return on equities being 5.9% per annum and the return on gilts being 4.4%.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 12 years, i.e. the balance of the original 15 year period set in 2007.

The contribution rate was set at 38.2% of the pensionable stipend from 1 January 2011.

In monetary terms, for a member accruing benefits at the basic rate, the pension contribution is:

- £7,728 per annum from 1 January 2011 to 31 March 2011
- £7,804 per annum from 1 April 2011 to 31 March 2012
- £8,163 per annum from 1 April 2012

The change in monetary terms is a function of the rise in the National Minimum Stipend.

The next full actuarial valuation of the Scheme will be carried out as at 31 December 2012.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the scheme.

Financial Review

Total employers' contributions for the year amounted to £68.6m. The amount was lower than that for 2010 owing to the change in the contribution rate from 1 January 2011. There are 191 "Responsible bodies" participating in the scheme of which 181 pay by direct debit. During the year there were 11 delays in payment of contributions but none that was considered serious enough to warrant a report being made to the Pensions Regulator.

Transfers out of the scheme totalled £0.5m.

The value of the fund at the year end was £784.8m (£755.5m in 2010).

The scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. At the end of 2011, the CEFPS held 96.7% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash; with the remaining 3.3% held in the liability-matching pool.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 70 to 72.

Members' Voluntary Contributions

Voluntary contributions are not invested in the pooled investment fund; they are invested separately. The vehicles offered are chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the provider.

The position was reviewed by both the Investment Committee and the Board during the course of 2010.

The Board was keen to provide a modern AVC arrangement that was flexible and offered appropriate investment choices. This included options to reduce investment risks and volatility of fund values as members approach retirement. As a result of the review, the Legal & General Assurance Society Limited ('L&G') was selected as the sole AVC provider for future contributions received after 1 April 2011. Members were given greater access to information about their AVC account and greater control over how they manage their AVC investments. The new arrangement also provided a wider range of investment choices:

- a core lifestyle arrangement with two options including ethically invested funds; and
- a menu consisting of a more comprehensive range of UK and global passively managed funds including both UK and global ethically invested funds, balanced equity funds, corporate bond funds, gilts funds, and a cash fund.

All new members are sent details of the voluntary contribution arrangements. Whilst current take-up under the old arrangements had been small in recent years, it was hoped that the new arrangements and greater choice offered will lead to greater take up by members.

The fund providers produce annual statements which are passed on to the individual members. At the end of 2011, 1,225 had contributions invested under the voluntary arrangements of whom 731 were current contributors.

Supplementary Pensions

At 31 December 2011 there were 191 supplementary pensions in payment to pensioners on low incomes compared with 208 in 2010. The total amount in payment at the year end was £412k (£442k in 2010). The cost of this provision continues to be met by the Church Commissioners.

Communication with Scheme Members

All new entrants are sent a booklet introducing the scheme to them. Benefit statements outlining individual prospective retirement benefits are issued each year to all members. Copies of benefit statements and the current booklet are available on request, as is information about the benefits payable on retirement at different ages.

Pensioners receive a letter outlining the basis of increases to pensions in payment, together with a note of their own revised pension.

Some theological colleges organise meetings on financial matters, and some dioceses arrange such meetings and also hold pre-retirement seminars. Whilst senior staff are unable to offer financial advice, they do take part in these meetings to outline the retirement provisions under the scheme.

Copies of booklets and information about the scheme are available to download from the Church of England website (www.churchofengland.org).

The Board is always considering further ways of improving communication with scheme members.

The Clergy (Widows and Dependants) Pension Fund (CWDPF)

The widows fund was closed to new entrants in 1967 and contributions terminated in 1988. At the end of the year, there were 1,231 pensions in payment (1,250 in 2010).

As a result of the actuarial valuation as at 31 December 2009 it was possible to increase pensions and prospective benefits by 3.75% with effect from January 2011. The maximum pension payable under the scheme to the widow of a member ordained after 1947 is now £1,405 per annum.

The next valuation of the fund will be carried out as at 31 December 2012.

Financial Review

Given that this is a closed scheme, no contributions were received during the year. The total benefits payable in 2011 were £1.4m (£1.5m in 2010).

The value of the fund's assets at the year end was £23.7m (£24.1m in 2010).

The scheme's investment strategy is to hold 25% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 75% in index-linked securities and other deposit funds.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 73 to 74.

Ordination of Women (Financial Provisions) Measure

The Ordination of Women (Financial Provisions) Measure came into effect in February 1994. The Board was appointed to administer the provision "as to the relief of hardship incurred by persons resigning from ecclesiastical service by opposition to the ordination of women as priests, and for connected purposes", and authorised the Church Commissioners to meet the costs.

The Measure defined those who are entitled to apply for three types of pension:

- housing assistance;
- a resettlement grant;
- periodical payments, of specified duration and amount.

It also contained discretionary powers covering the possibility either of additional payments to those eligible for the specific provisions or of payments to those not so eligible. Applications for assistance had to be made by 21 February 2004.

Payments under the Measure cease, in accordance with its provisions, as a result of:

- income from new employment;
- reaching pension age; or
- expiry of the period determined by the stated formula.

At 31 December 2011, of the 441 cases set up since the Measure came into effect, five still receive periodical payments.

The housing assistance under the Measure is the same as that available in the Board's CHARM scheme. The numbers seeking assistance with alternative accommodation have continued to be at a low level. When the individual starts to draw their Church pension, they are transferred to the CHARM scheme. On death, the widow would continue to be housed under the CHARM scheme.

In the course of the year, one property was sold under the scheme. In 2011 a revenue shortfall of £125,000 resulting from the subsidy arrangements under the scheme was met by the Church Commissioners.

Church Workers Pension Fund (CWPF)

Introduction

The Scheme was introduced in 1953 and operates as a centralised occupational pension scheme. There are two distinct sections:

- defined benefits; and
- defined contributions.

The overall number of employers was 254, with 79 participating in the defined benefits section, 175 in the defined contributions section, and 38 in both.

Employers include diocesan boards of finance, cathedral chapters, mission agencies and others connected with the ministry and mission of the Church of England.

Scheme Rules

There were no changes to the Scheme rules made in 2011.

A full copy of the scheme rules is available on request.

Benefits

Under the defined benefits scheme, employers have some flexibility as to the benefit structure they provide.

Those selecting the defined contributions scheme choose the level of contributions paid. Such contributions provide an amount of pension payable at the member’s normal pension age (a “deferred annuity”) calculated using conversion tables provided by the actuary. Bonuses are added from time to time depending on the investment returns earned by the fund.

Pension Increases

Defined Benefits Scheme

The defined benefits scheme provides a guarantee that pensions will increase in line with limited price indexation (LPI), with a further provision for discretionary increases up to the full rise in RPI, if the financial position of the fund permits. Benefits arising from service prior to April 2006 increase in line with RPI up to 5%. Benefits arising from service from April 2006 increase in line with RPI up to 2.5%, except that some participating employers have specifically opted to retain the 5% cap.

The increase in the RPI for the year to 30 September 2010 was 5.6%. Pensions in payment on 1 January 2011 increased therefore by 5% for service prior to April 2006 and by 2.5% for service thereafter; except where the participating employer had decided specifically not to limit increases to 2.5%, where the increase was 5% for all service.

Defined Contributions Scheme

The defined contributions scheme provides increases to pensions in payment in the form of bonuses as decided by the Board. Certain benefits though carry guarantees depending on the period during which contributions were received. For contributions received between April 1997 and March 2006 pensions increase in line with RPI up to 5%. Pensions from contributions received from April 2006 increase in line with RPI up to 2.5%. No guarantees apply for pensions from contributions received before April 1997 or for deferred pensions.

Whilst the actuary had advised that a bonus of 2% could be awarded as at 1 January 2011 where no guarantee applied, in the light of the actuarial valuation results, the Board decided that no bonus could be awarded as at 1 January 2012.

Deferred pensions for members who have not yet retired were not increased from 1 January 2012.

Benefits payable

The total benefits payable under the CWPF were £11.0m (£10.6m in 2010).

Membership statistics

Details of the membership of CWPF at 31 December 2011 are set out in the table below, together with details at 31 December 2010 for comparative purposes.

	At 31 December 2011	At 31 December 2010	% Change
Active Members	2,516	2,434	3.4%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	2,686	2,659	1.0%
Pensions in payment	2,584	2,544	1.6%

Over the past ten years, the total membership has increased by approximately 28%.

Actuarial Valuation

The last triennial valuation of the scheme was carried out as at 31 December 2010 and completed in the first part of 2012. The actuarial statement and certificate are set out in Appendix 1.

In reaching its decisions regarding the funding of the Scheme, the key points taken into account by the Board were:

- increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- an assumption that, over the long term, future salary increases will be in line with the increase in Retail Prices Index plus 1.5%;
- the expected return on equities being 6.2% per annum and the return on gilts being 4.2%.

Defined Benefits Scheme

The Board's objectives for the defined benefits scheme's valuation are to set an appropriate future contribution policy for the employer sub-sections and to ensure that there are sufficient assets attributed to the Life Risk Pool.

The valuation revealed that the defined benefits scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £261.0m at the valuation date, compared with a market value of £220.7m. There was therefore a deficiency of £40.3m.

The Board agreed "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating employer. Whilst the majority of employers agreed a recovery period of 5 years, a 10 year period was agreed with a small number of employers and a 15 to 20 year period with three employers, each case being considered on its merits.

The deficit in the Life Risk Pool, from which pensions in payment are made, was £6.7m. The bulk of this deficiency was rectified by making a levy on each participating employer's section, related to the amounts transferred to the Life Risks Section in respect of members who have retired.

Contribution rates were revised and implemented from 1 January 2012.

Defined Contributions Scheme

The Board's key objectives for the defined contributions scheme valuation are to set appropriate policies for granting future bonuses and for setting premium rates.

The valuation revealed that the defined contributions scheme's "technical provisions" amounted to £66.3m at the valuation date, compared with a market value of £68.6m. There was therefore a very small surplus.

The technical provisions in respect of the defined contributions scheme are calculated on a basis which allows for future bonuses in line with price inflation to be awarded. Whilst the actuary had advised that a bonus of 2% could be awarded as at 1 January 2011 where no guarantee applied, in the light of the actuarial valuation results, the Board decided that no bonus could be awarded as at 1 January 2012.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the scheme's actuaries.

With effect from 1 April 2009, the Board had generally ceased accepting transfers into the scheme.

Financial Review

Total contributions for 2011 amounted to £16.4m (£15.7m for 2010). There are 254 employers participating in the scheme of which 241 pay by direct debit.

Transfers out of the scheme totalled £0.9m.

The value of the fund at the year end was £307.1m (£289.9m in 2010).

The scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions.

Each section of the CWPF aims to hold its assets in the following proportions:

	Return-Seeking Pool	Liability-Matching Pool
Defined Benefits Scheme (employer section)	100%	
Defined Benefits Scheme (Life Risk Section)	25%	75%
Defined Contributions Scheme	75%	25%

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 75 to 76.

Church Administrators Pension Fund (CAPF)

Introduction

This scheme was established in 1985 to provide pensions for the lay staff of the General Synod.

With effect from 1 January 2000, the staff of the national church bodies and episcopal staff who had previously been covered under the Church Commissioners Superannuation Scheme (CCSS) were transferred to this fund. All liabilities in respect of benefits payable from their pensionable service up to 31 December 1999 remain with the Church Commissioners.

There are two distinct sections –

- Defined Benefits; and
- Defined Contributions.

The defined benefits section of the CAPF was closed to new entrants with effect from 1 July 2006. In 2010, the defined benefits replaced the final salary arrangement with one based on career average earnings, and contracted into the State Second Pension Scheme.

New staff who wish to join the scheme are offered membership of the defined contributions section. The funds are managed by Legal & General and the scheme is administered in-house.

Scheme Rules

There were no changes to the Scheme rules made in 2011.

A full copy of the scheme rules is available on request.

Benefits

The CCSS was a replica of the Principal Civil Service Pension Scheme, and that basis continues to be applied for calculating benefits for the members who transferred from CCSS for service to 31 December 2007. For other members of the defined benefits section of the scheme the basis of benefits reflects the CCSS with some relatively minor differences of detail for service up to 31 December 2007.

In 2008 the scheme's normal pension age was increased from 60 to 65 for service from 1 January 2008.

Pension Increases

Increases to pensions in payment in the CAPF were complicated by the announcements of the Government on the change of indexation for public sector pension schemes. Increases to pensions for those previously in the CCSS were in line with increases in Principal Civil Service Pension Scheme. This had previously been in line with RPI, but the Government amended this to the Consumer Prices Index (CPI).

The increase in RPI in the year to 30 September 2011 was 5.6%; CPI increased by 5.2% for the same period.

The evolution of the scheme also made the pension increases complex. For those members of the scheme not previously in the CCSS, pension increases are at the discretion of the principal employer, the Archbishops' Council, after discussion with the Board as trustee, having regard to the requirements of primary legislation.

In early 2011, the employers decided that, for pensions arising from service prior to 6 April 1997, the increases for non-CCSS members of the scheme will be on the same basis as for CCSS members, ie, linked to CPI; and that for pensions arising from service between 6 April 1997 and 31 December 2007, former CCSS members' pensions would be increased where necessary on a discretionary basis in line with increases to other members' pensions, ie, by RPI to 5%, but still subject to the discretion to match full RPI if that was affordable.

Accordingly, the following increases were awarded –

- Service prior to 6 April 1997 5.2%
- Service from 6 April 1997 5.2%

Benefits Payable

The total benefits payable under the CAPF were £2.2m (£2.3m in 2010).

Membership Statistics

Details of the membership of the CAPF at 31 December 2011 are set out in the table below, together with details at December 2010 for comparative purposes.

	At 31 December 2011	At 31 December 2010	% Change
Active Members			
• Defined Benefits Section	279	310	-10.0%
• Defined Contributions Section	256	213	20.2%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	343	341	–
Pensions in payment	398	370	7.6%

Actuarial Valuation

The last triennial valuation of the scheme was carried out as at 31 December 2008. The actuarial statement and certificate are set out in Appendix One.

The valuation revealed that the defined benefit section's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £75.2m at the valuation date, compared with a market value of assets of £45m. There was therefore a deficiency of £30.2m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- the modifications to the benefit structure of the defined benefit section to be implemented on 1 July 2010;
- increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- an assumption that, over the long term, pensionable salaries will increase by the increase in Retail Prices Index plus 2%;
- the anticipated rate of return on equities being 5.7% per annum in the calculation of the technical provisions and 6.7% per annum in the recovery plan.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 15 years.

The future service contribution rate was set at 12.4% with effect from 1 July 2010.

In addition to the contributions, the employers participating in the scheme are paying £2m per annum from 1 July 2010 to 30 June 2025, increasing each 1 January in line with general salary inflation, this sum being made by each employer in proportion to pensionable salaries. The Archbishops' Council are also paying further contributions to 31 December 2016, equal to £193k for the calendar year 2011 and adjusted each calendar year in line with price inflation. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

The defined contributions section has an age-related contribution structure, with the employers contributing between 8% and 15% of pensionable salary depending on the age of the member. In addition to this, for each 1% paid by the member, the employers pay a matching contribution up to a maximum of 3% of pensionable salary.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the defined benefits section of the scheme.

Financial Review

Total contributions for 2011 amounted to £5.0m (£4.9m for 2010).

Transfers into the scheme totalled £25,000 for the year. Transfers out of the CAPF totalled £16,000.

The value of the fund at the year end was £71m at 31 December 2011 (£66m in 2010).

The scheme's assets (other than those in relation to the defined contributions section) are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CAPF's strategy is to hold 69% of its assets in the Return-Seeking Pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 31% in the Liability-Matching Pool, consisting mostly of UK Government Bonds.

The contributions under the defined contributions section are separately invested with Legal and General.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are set shown in the audited accounts which are set out on pages 77 to 80.

The Church of England Pensions Board

Pension Funds – Financial Statements

Independent Auditors' report to the Church of England Pensions Board and the General Synod of the Church of England on the Pensions funds

We have audited the accounts of the Church of England Funded Pension Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund, the Church Administrators Pension Fund ("the pension schemes") and the Church of England Investment Fund for Pensions ("the investment fund") for the year ended 31 December 2011 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for the preparation of the accounts and being satisfied that they show a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment whether the accounting policies are appropriate to the Board's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the Board and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion the accounts:

- show a true and fair view of the financial transactions of each pension scheme during the year ended 31 December 2011, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- show a true and fair view of the financial transactions of the investment fund during the year ended 31 December 2011, and of the amount and disposition at that date of its assets and liabilities;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

16 May 2012

The Church of England Funded Pensions Scheme

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Contributions and benefits			
Members' contributions - additional voluntary		**1,217**	1,131
Employers' contributions			
Normal		**41,924**	61,653
Deficit Funding	4	**26,233**	18,765
Augmentations	4	**177**	245
Transfers in - individual		**403**	905
		69,954	82,699
Pensions		**(13,270)**	(11,011)
Lump sums			
Retirement		**(6,998)**	(7,124)
Death		**(839)**	(737)
Refund of contributions		**-**	(10)
Transfers out		**(496)**	(1,222)
Purchase of annuities from AVC policies		**(278)**	-
Administration expenses	5	**(2,351)**	(2,164)
		(24,232)	(22,268)
Net additions from dealing with members		**45,722**	60,431
Return on Investments			
Bank deposit interest		**11**	10
(Depreciation)/appreciation of units in CEIFP	2	**(16,644)**	76,240
Investment management fees		**-**	(10)
Change in market value of AVCs	3	**207**	1,167
Net return on investments		**(16,426)**	77,407
Net increase in fund during the year		**29,296**	137,838
Net assets at the start of the year		**755,466**	617,628
Net assets at the end of the year		**784,762**	755,466

NET ASSETS STATEMENT AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Investments			
Value of units in CEIFP	1	**766,736**	727,754
AVC investments	3	**13,136**	13,178
		779,872	740,932
Current assets and liabilities			
Debtors		**83**	297
Cash		**5,755**	15,677
Creditors	8	**(948)**	(1,440)
Net assets at the end of the year		**784,762**	755,466

The notes on page 71 to 72 and pages 85 to 87 form part of these Accounts

See note 1 on page 85 for the link to the actuarial position

The Church of England Funded Pensions Scheme

NOTES:

1. The assets of the Church of England Funded Pensions Scheme (CEFPS) are invested in the Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of investments of pension funds administered by the Board. The proportion of CEIFP units attributable to the scheme as at 31 December 2011 was 66.24% (2010 : 66.39%).
2. Appreciation and depreciation in the value of units in CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses, and investment management expenses.
3. Additional Voluntary Contributions (AVCs) by members are separately invested with the Legal and General Assurance Society Limited, the Prudential Assurance Company Limited, or the Equitable Life Assurance Society. With effect from April 2011, all Additional Voluntary Contributions (AVCs) are invested in a new Group AVC Scheme with Legal & General which provides wider investment choice and a single administration platform.

	Value at 1 January 2011 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December 2011 £'000
Legal & General Group AVC Scheme	-	1,510	(85)	12	**1,437**
Legal & General Company Sponsored Policy	6,796	302	(979)	(41)	**6,078**
Prudential	4,412	127	(751)	97	**3,885**
Equitable Life	1,969	4	(376)	139	**1,736**
	13,177	1,943	(2,191)	207	**13,136**
AVC funds in transit	1				**-**
	13,178				**13,136**

4. Deficit funding contributions are payable in respect of the funding shortfall at the rate of 14.7% p.a. of pensionable stipend from 1 January 2011 to 31 December 2022 in accordance with the agreed recovery plan.

   Augmentations by employers relate to payments to augment the benefits of retiring members of £177k (2010 : £245k).
5. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the scheme. See note 3 on page 86.
6. This scheme is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.
7. Debtors

	2011 £'000	2010 £'000
Contributions - Employer	**79**	183
Other	**4**	114
	83	297

Contributions due at the year end were received by the due date in accordance with the Schedule of Contributions.

8. Creditors

	2011 £'000	2010 £'000
Unpaid benefits	**754**	976
Other	**194**	464
	948	1,440

9. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 1998:

	2011	2010
	£'000	£'000
Clergy pensions (including supplementary pensions)	**79,773**	77,883
Widows' and children's pensions	**27,079**	26,434
Lump sums on retirement	**7,385**	9,230
	114,237	113,547

Clergy (Widows and Dependants) Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Benefits and other outgoings			
Pensions		**(1,436)**	(1,450)
Net withdrawals from dealing with members		**(1,436)**	(1,450)
Return on Investments			
Appreciation of units in CEIFP	3	**885**	1,779
Change in market value		**18**	279
Income from index-linked securities		**90**	121
Interest on cash deposits		**5**	7
Investment management fees		**(4)**	(1)
Net return on investments		**999**	2,185
Net (decrease)/increase in fund during the year		**(443)**	735
Net assets at the start of the year		**24,155**	23,420
Net assets at the end of the year		**23,713**	**24,155**

NET ASSETS STATEMENT AS AT 31 DECEMBER 2011	Notes	2011 £'000	2010 £'000
Investments	1 & 2	**23,543**	23,972
Current assets - Debtors		**23**	39
Cash		**196**	187
Current liabilities - Creditors		**(49)**	(43)
Net assets at the end of the year		**23,713**	**24,155**

The notes on page 74 and pages 85 to 87 form part of these Accounts
See note 1 on page 85 for the link to the actuarial position

Clergy (Widows and Dependants) Pension Fund

NOTES:

1. The analysis of the fund's investments is as follows:

	Value at 1 January 2011 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December 2011 £'000
Units in Church of England Investment Fund for Pensions (CEIFP)	18,407	-	-	885	**19,292**
Index-linked securities (UK quoted)	4,555	-	(2,022)	18	**2,551**
	22,962	-	(2,022)	903	**21,843**
Investment funds on deposit	1,010				**1,700**
	23,972				**23,543**

2. The proportion of the CEIFP units attributable to the fund as 31 December 2011 was 1.67% (2010 : 1.68%).
3. Appreciation and depreciation in the value of the units in the CEIFP takes account of investment income, including tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses and investment management expenses.
4. This fund is now a closed fund. No pension scheme contributions have been receivable since 1 December 1988.
5. The administration costs in relation to the fund have not been separately identified from those of the Church of England Funded Pensions Scheme and are borne by that scheme.
6. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.

Church Workers Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2011 Total £'000	2010 Total £'000
Contributions and benefits					
Members' contributions					
Normal		442	322	**764**	756
Additional voluntary	3	609	-	**609**	544
Employers' contributions					
Normal		2,818	7,855	**10,673**	10,527
Deficit Funding	4	-	4,307	**4,307**	3,701
Augmentation	4	16	10	**26**	147
Transfers in - individual		9	-	**9**	9
Other income		10	1	**11**	-
		3,904	12,495	**16,399**	15,684
Pensions		(3,331)	(5,646)	**(8,977)**	(8,271)
Lump sums					
Retirement		(542)	(1,410)	**(1,952)**	(2,263)
Death		(38)	(51)	**(89)**	(28)
Early Leavers - refunds of contributions		(2)	-	**(2)**	(11)
- state scheme premiums		-	(1)	**(1)**	(4)
Transfers out - individual		(290)	(91)	**(381)**	(216)
- group		(137)	(408)	**(545)**	(3,221)
Purchase of annuities		(131)	-	**(131)**	-
Administration expenses	5	(465)	(747)	**(1,212)**	(871)
		(4,936)	(8,354)	**(13,290)**	(14,885)
Net (withdrawals)/additions from dealing with members		(1,032)	4,141	**3,109**	799
Return on Investments					
Bank deposit interest		1	4	**5**	4
Appreciation of units in CEIFP	2	2,774	11,345	**14,119**	30,325
Net return on investments		2,775	11,349	**14,124**	30,329
Net increase in fund during the year		1,743	15,490	**17,233**	31,128
Net assets at the start of the year		68,705	221,151	**289,856**	258,728
Net assets at the end of the year		70,448	236,641	**307,089**	289,856

NET ASSETS STATEMENT AS AT 31 DECEMBER 2011

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2011 £'000	2010 £'000
Investments					
Value of units in CEIFP	1	70,577	234,195	**304,772**	287,858
Current assets and liabilities					
Debtors	7	320	898	**1,218**	1,161
Cash		(312)	1,667	**1,355**	1,185
Creditors	8	(137)	(119)	**(256)**	(348)
Net assets at the end of the year		70,448	236,641	**307,089**	289,856

The notes on page 76 and pages 85 to 87 form part of these Accounts
See note 1 on page 85 for the link to the actuarial position

Church Workers Pension Fund

NOTES:

1. The assets of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP units attributable to the fund as at 31 December 2011 was 26.33% (2010 : 26.26%).
2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised gains and losses and investment management expenses.
3. The Additional Voluntary Contributions Scheme operates on a deferred annuity basis whereby Additional Voluntary Contributions by members are invested in the defined contributions scheme of the fund. Accordingly, the assets held in this respect are pooled with the main fund assets and are not separately identifiable from these assets.
4. Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 January 2009 up to a maximum of 15 years.

   Augmentation contributions by employers relate to payments of back dated service contributions £14k (2010 : £95k) (defined contributions scheme £14k (2010 : £4k) and defined benefits scheme £nil (2010 : £91k)) and to augment the benefits of retiring members of the defined benefits scheme £10k (2010 : £51k) as well as top up payments to cover extra hours worked by defined contribution members £2k (2010 : £1k).
5. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the fund. See note 3 on page 86.
6. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.

7. Debtors

		2011 £'000	2010 £'000
Contributions	- Employer	**1,078**	1,071
	- Employee	**95**	90
Other		**45**	-
		1,218	1,161

Contributions due at the year end were received by the due date in accordance with the Schedule of Contributions.

8. Creditors

	2011 £'000	2010 £'000
Unpaid benefits	**89**	233
Other	**167**	115
	256	348

Church Administrators Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2011 £'000	2010 £'000
Contributions and benefits					
Members' contributions					
Normal		-	149	**149**	168
Additional voluntary	4	151	112	**263**	290
Employers' contributions					
Normal		948	1,215	**2,163**	2,685
Deficit funding	5	-	2,345	**2,345**	1,363
Augmentation	5	1	36	**37**	348
Transfers in - normal		25	-	**25**	45
Transfers in - AVC policies		-	-	**-**	212
Other income	6	-	211	**211**	-
		1,125	4,068	**5,193**	5,111
Pensions		-	(1,486)	**(1,486)**	(1,364)
Lump sums					
Retirement		-	(663)	**(663)**	(786)
Death		-	(13)	**(13)**	(100)
Early leavers - refunds of contributions		-	(4)	**(4)**	(4)
Transfers out		(9)	(7)	**(16)**	(222)
Administration expenses	7	-	(250)	**(250)**	(245)
		(9)	(2,423)	(2,432)	**(2,721)**
Net additions from dealing with members		1,116	1,645	**2,761**	2,390
Return on Investments					
Bank deposit interest			1	**1**	1
Appreciation of units in CEIFP	2	-	2,405	**2,405**	6,815
Change in value of units in DC Scheme		(127)	-	**(127)**	273
Change in value of AVC policies		-	-	**-**	25
Net return on investments		(127)	2,406	**2,279**	7,114
Net increase in fund during the year		989	4,051	**5,040**	9,504
Net assets at the start of the year		2,620	63,367	**65,987**	56,483
Transfer between sections		29	(29)	**-**	-
Net assets at the end of the year		3,638	67,389	**71,027**	65,987

The notes on pages 78 to 80 and pages 85 to 87 form part of these Accounts

See note 1 on page 85 for the link to the actuarial position

Church Administrators Pension Fund

NET ASSETS STATEMENT AS AT 31 DECEMBER 2011

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2011 Total £'000	2010 Total £'000
Investments					
Value of units in CEIFP	1	-	66,648	**66,648**	62,164
Invested with Legal and General	3	3,635	-	**3,635**	2,647
AVC policies	4	-	253	**253**	245
		3,635	66,901	**70,536**	65,056
Current assets and liabilities					
Debtors	8	-	53	**53**	160
Cash		3	448	**451**	983
Creditors	9	-	(13)	**(13)**	(212)
Net assets at the end of the year		3,638	67,389	**71,027**	65,987

The notes on pages 78 to 80 and pages 85 to 87 form part of these Accounts

See note 1 on page 85 for the link to the actuarial position

Church Administrators Pension Fund

NOTES:

1. The assets of the defined benefits scheme of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP attributable to the fund at 31 December 2011 was 5.76% (2010: 5.67%).
2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains or losses and investment management expenses.
3. The investments of the defined contributions scheme are held with Legal & General Investment Management. The movements in investments during the year were:

	2011 £'000	2010 £'000
Market value at 1 January 2011	**2,647**	1,532
Purchases at cost	**1,124**	847
Disposals	**(9)**	(5)
Change in market value of investments	**(127)**	273
Market value at 31 December 2011	**3,635**	2,647
Allocated to members	**3,628**	2,643
Not allocated to members	**7**	4
	3,635	2,647

The Defined Contributions scheme's investments at 31 December 2011 were invested in the following Legal & General managed funds:

	2011 £'000	2010 £'000
Global Equity 60:40 Index	**2,976**	2,266
UK Equity Index	**94**	69
Ethical UK Equity Index	**119**	84
Overseas Equity Consensus Index	**127**	69
Over 15 year Gilts Index	**13**	10
Over 5 year Index- linked	**183**	75
Property	**69**	47
Cash	**54**	27
	3,635	2,647

Investments purchased by the Defined Contributions scheme are allocated to provide benefits to individuals on whose behalf corresponding contributions are paid. The Investment Manager, Legal & General Assurance Society Ltd, holds the investments on a pooled basis for the Board. The Board, as scheme administrator, allocates investment units to members. The Board may also hold investment units representing the value of employer contributions that have been retained by the scheme that relate to members leaving the scheme prior to vesting.

Church Administrators Pension Fund

NOTES (continued):

4. Additional Voluntary Contributions by members of the defined contributions scheme and the employer contributions under this scheme are separately invested with the Legal and General Assurance Society Limited. Additional Voluntary Contributions by members of the defined benefits scheme consist of contributions paid for the purchase of added years £104k (2010 : £180k) and contributions of £8k (2010 : £8k) paid by certain members into separate AVC policies with Equitable Life Assurance Society, Scottish Widows plc and Standard Life Assurance Limited. Contributions for added years are pooled with the main fund assets and are not separately identifiable from those assets.

	Value at 01 Jan 11 £'000	Purchases at cost £'000	Proceeds £'000	Change in market value £'000	Value at 31 Dec 11 £'000
Standard Life	152	7	-	(3)	**156**
Scottish Widows	71	1	-	2	**74**
Equitable Life	22	-	-	1	**23**
	245	8	-	-	**253**

5. Deficit funding contributions are payable at the rate of £2,050k per annum across all employers from 1 July 2010, increasing annually at 5% p.a. until 30 June 2025, in respect of the funding shortfall. The Archbishops' Council is required to pay a further contribution of £184,056 p.a. from 1 January 2010 to 31 December 2016 adjusted each 1 January in line with the change in the Retail Price Index.

   Augmentation contributions by employers relate to payments to augment the benefits of retiring members.

6. Other income consists of payments by employers for administration expenses and in respect of the payment protection fund levy.

7. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the fund. See note 3 on page 86. All administration costs for both the DB and DC sections of the Church Administrators Pension Fund are borne by the DB section.

8. Debtors

	2011 £'000	2010 £'000
Contributions - Employer	**3**	92
Other	**50**	68
	53	160

Contributions due at the year end were received by the due date in accordance with the Schedule of Contributions.

9. Creditors

	2011 £'000	2010 £'000
Unpaid benefits	**6**	209
Other	**7**	3
	13	212

10. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 2000:

	2011 £'000	2010 £'000
Pensions	**4,760**	4,736
Lump sums on retirement and death	**573**	361
	5,333	5,097

11. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.

The Church of England Investment Fund for Pensions

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net receipts from member schemes		**60,500**	45,646
Return on investments			
Index-linked interest receivable		**1,484**	1,234
Dividends receivable		**23,625**	19,747
Income from managed funds		**3,684**	2,035
Interest on cash deposits		**899**	768
		29,692	23,784
Changes in market value of investments		**(26,010)**	91,820
Investment managers' fees	2	**(2,917)**	(2,260)
		765	113,344
Net increase in the fund during the year		**61,265**	158,990
Investment fund at 1 January		**1,096,183**	937,193
Investment fund at 31 December		**1,157,448**	1,096,183

NET ASSETS STATEMENT AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Investments			
Investment assets	3	**1,158,838**	1,098,272
Investment liabilities	3	**(830)**	(1,467)
		1,158,008	1,096,805
Current assets and liabilities			
Debtors		**102**	107
Cash		**(102)**	345
Creditors	8	**(560)**	(1,074)
Total net assets	9	**1,157,448**	1,096,183

The notes on pages 85 to 87 form part of these Accounts

Each of the above accounts of the Pension Funds and the CEIFP have been signed on behalf of the Board

Jonathan Spencer	Rt. Revd David Walker	Bernadette Kenny
Chairman	*Vice Chairman*	*Secretary & Chief Executive*

15 May 2012

The Church of England Investment Fund for Pensions

NOTES:

1. The fund was established to allow the pooling of investments of pension funds administered by the Board. The member schemes and their respective holdings are shown in note 9.

2. The fund bears investment management expenses charged by the investment managers and custodians. Administration costs and advisory fees incurred by the Church of England Pensions Board are borne by the member schemes and are included in the administration expenses shown in the schemes' own accounts.

3. Investments

	Value at 01 Jan 11 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 31 Dec 11 £'000
Securities					
UK equities (quoted)	439,543	58,968	(172,868)	(35,623)	**290,020**
Overseas equities (quoted)	328,799	236,894	(112,782)	(20,981)	**431,930**
Index-linked securities - UK public sector	96,906	269,102	(240,264)	27,152	**152,896**
Index-linked securities - UK non-government	473	-	-	45	**518**
Index-linked - Overseas public sector	-	2,804	(1,780)	(60)	**964**
Index-linked - Overseas non-government	416	-	-	57	**473**
Pooled investment vehicles					
Property managed funds - UK	53,487	14,227	(3,421)	173	**64,466**
Property managed funds - Overseas	7,968	5,815	(513)	(2,882)	**10,388**
Managed currency fund - UK	11,857	29	(11,097)	(789)	**-**
Managed corporate bond fund - UK	81,069	-	(50)	5,977	**86,996**
Global tactical asset allocation funds - Overseas	-	60,000	-	2,455	**62,455**
Unit Trusts (unquoted)	2	-	-	-	**2**
Derivatives (see note 3a)					
Forward foreign currency contracts	(1,099)	10,520	(6,608)	(1,944)	**869**
Futures - Equities	-	1	(10)	22	**13**
Futures - Fixed Income	-	13	(124)	111	**-**
	1,019,421	658,373	(549,517)	(26,287)	**1,101,990**
Cash deposits	74,314			290	**52,061**
Other investment balances (note 3b)	3,070			(13)	**3,957**
	1,096,805			**(26,010)**	**1,158,008**

Investment assets and liabilities	Notes	Assets at 31 Dec 11 £'000	Liabilities at 31 Dec 11 £'000	Total value at 31 Dec 11 £'000
Securities and pooled investment vehicles		1,101,108	-	**1,101,108**
Derivatives	3(a)	1,549	(667)	**882**
Cash		52,061	-	**52,061**
Other investment balances	3(b)	4,120	(163)	**3,957**
		1,158,838	**(830)**	**1,158,008**

The Church of England Investment Fund for Pensions

NOTES (continued):

3(a) Derivatives

	Assets at 31 Dec 11 £'000	Liabilities at 31 Dec 11 £'000	Assets at 31 Dec 10 £'000	Liabilities at 31 Dec 10 £'000
Forward foreign currency contracts	1,536	(667)	327	(1,426)
Futures - Equities	13	-	-	-
Net derivatives	1,549	(667)	327	(1,426)

Forward foreign currency contracts

Currency Bought/ Sold	Duration	Counterparty	Value of Currency Bought £'000	Value of Currency Sold £'000	Assets at 31 Dec 11 £'000	Liabilities at 31 Dec 11 £'000
GBP/EUR	Up to 3 months	Northern Trust	37,828	(36,559)	1,269	-
GBP/JPY	Up to 3 months	Northern Trust	24,077	(24,113)	90	(126)
GBP/USD	Up to 3 months	Northern Trust	103,389	(103,754)	176	(541)
JPY/USD	Up to 3 months	CSFB Global Trust	33	(32)	1	-
			165,327	(164,458)	1,536	(667)

Futures contracts

Type	Expiration	Counterparty	Economic exposure value at 31 Dec 11 £'000	Market value at 31 Dec 11 £'000
E-mini S&P 500 exchange traded	3 months	Goldman Sachs	161	5
S&P 500 exchange traded	3 months	Goldman Sachs	201	8
			362	13

3(b) Other investment balances

	2011 £'000	2010 £'000
Assets		
Cash margin	23	-
Accrued investment income	4,097	3,111
	4,120	3,111
Liabilities		
Amounts due to broker	(13)	-
Outstanding trades	(150)	(41)
	(163)	(41)
Total Value	**3,957**	**3,070**

Derivative receipts and payments represent the realised gains and losses on forward and futures contracts. Currency forward contracts are used to limit the effect of changes in currency valuations on the values of non-Sterling denominated assets. Index futures are used to make short term tactical asset allocations.

The Church of England Investment Fund for Pensions

NOTES (continued):

4. Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees which total £590k (2010: £815k). In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles.
5. All fund managers operating the pooled investment vehicles are registered in the United Kingdom, with the exception of one of the global asset allocation fund managers, Bridgewater LP, which is based in the USA.
6. Property managed funds can only be redeemed in accordance with the terms under which they were set up.
7. Commitments - As at 31 December 2011, the Board had made a commitment to invest £20 million in a pooled infrastructure fund managed by First State Investments Fund Management S.à.r.l. No investment was made before the year end.
8. Creditors

	2011 £'000	2010 £'000
Accrued investment management expenses	-	623
Other creditors	560	451
	560	1,074

9. Participation in the fund at 31 December 2011

	RETURN SEEKING POOL Units	RETURN SEEKING POOL £'000	LIABILITY MATCHING POOL Units	LIABILITY MATCHING POOL £'000	TOTAL £'000
Church Workers Pension Fund					
Defined Benefits Scheme	85,357	145,017	38,414	89,178	234,195
General Fund	67,850	115,274	-	-	115,274
Life Risk	17,507	29,743	38,414	89,178	118,921
Defined Contributions Scheme	30,916	52,525	7,776	18,052	70,577
Total	116,273	197,542	46,190	107,230	304,772
Church Administrators Pension Fund	26,812	45,552	9,088	21,096	66,648
Clergy (Widows & Dependants) Pension Fund	7,424	12,614	2,876	6,678	19,292
The Church of England Funded Pensions Scheme	436,354	741,345	10,937	25,391	766,736
	586,863	**997,053**	**69,091**	**160,395**	**1,157,448**

The defined benefits scheme of the Church Workers Pension Fund is split between the general fund and the life risk section as these two portions of the fund have different investment strategies.

10. Unitisation

The Church of England Investment Fund for Pensions ('CEIFP') is a common investment fund for the Church of England's pension funds. It has two pools, the Return Seeking pool consisting mostly of equities and cash, and the Liability Matching pool consisting mostly of fixed income or index-linked investments and cash.

Unitisation is the process of allocating units in the CEIFP to its participants. The participant pension funds purchase or dispose of CEIFP units in accordance with their operational requirements. The value of units to be purchased or disposed of each month is determined for each participant by the Board. The pricing of units is undertaken by The Northern Trust Company who also prepare monthly unitisation reports showing each participant's holding in the CEIFP and transactions during the period.

Net receipts from the participating pension funds are received initially in the Return Seeking pool. Transfers are made between the Return Seeking and Liability Matching pools in accordance with actuarial and investment requirements.

Notes to the Financial Statements of the Investment and Pension Funds

1. Basis of Preparation of Financial Statements

The individual pension schemes that comprise the 'Pension Funds' are as follows:

The Church of England Funded Pensions Scheme

The Clergy (Widows and Dependants) Pensions Fund

The Church Workers Pension Fund

The Church Administrators Pension Fund

The financial statements of the Pension Funds have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position, which does take account of such obligations, is dealt with in the statements by the actuary on pages 90 to 95 of the annual report and in the reports on the various activities of the Board within pages 51 to 66, and these financial statements should be read in conjunction with this information. No actuarial valuation is required for the Clergy (Widows and Dependants) Pension Fund.

2. Statement of Accounting Policies

The principal accounting policies, which have been consistently applied, are set out below.

2.1 Investments

The individual pension funds are wholly invested in the Church of England Investment Fund for Pensions, except for the Clergy (Widows and Dependants) Pension Fund, which also has its own segregated investments in index-linked bonds and the Church Administrators Pension Fund Defined Contributions scheme which is separately invested in Legal & General managed funds.

(a) Valuation

The investments are valued on the following bases:

The listed investments and unit trusts are valued at their closing bid price at 31 December and, where appropriate, foreign currencies are translated into sterling at the rates of exchange on that date.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price.

Fixed interest and Index-linked investments are valued at their clean prices (i.e. excluding accrued interest).

Derivative contracts are valued at fair value. The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Futures contracts are exchange traded and the their value is determined using exchange prices at the reporting date. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

(b) Investment income

Income from equities and any pooled investment vehicles which distribute income is accounted for on the date stocks are quoted ex-dividend/interest.

Income from fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

Notes to the financial statements of the Investment and Pension Funds

(c) Foreign currencies

Assets and liabilities in foreign currencies, other than forward foreign exchange contracts, are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

(d) Investment management expenses are accounted for on an accruals basis.

2.2 Pension Funds

(a) Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the month the employee contributions are deducted from payroll.

Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Additional voluntary contributions from members are accounted for on an accruals basis in the month deducted from payroll.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or in the absence of an agreement, on a receipts basis.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the pension funds, as appropriate.

(c) Transfers to and from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Pension Funds. They are accounted for on a cash basis, or where the Board agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

3. Administration Expenses

Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

The Board's administration fees charged to each fund during the year were:

	2011 £'000	2010 £'000
Church of England Funded Pensions Scheme *	2,351	2,185
Church Workers Pension Fund – defined benefits scheme	747	501
Church Workers Pension Fund – defined contributions scheme	465	383
Church Administrators Pension Fund	250	250
	3,813	3,319

*Includes the Board's administration costs for the Clergy (Widows and Dependants) Pension Fund.

The increase in administration expenses is primarily due to costs incurred in setting up a new payroll system as well as, in the case of the Church Workers Pension Fund, the costs of the 2010 actuarial valuation.

Notes to the financial statements of the Investment and Pension Funds

4. Audit Fees

The fee, including VAT, for external audit services during the year was £120k (2010 : £120k) for both the Pension Funds and Charitable Funds; the portion allocated to the Pension Funds was £51k (2010 : £48k). This is included in the charges to the Pension Funds in Note 3 above.

5. Employer Related Investments

Other than the late contributions not exceeding £275k (2010: £0) in total across the pension schemes, there were no other employer related investments.

6. Related Party Transactions

Certain Board members who have retired from service under the Pension Funds are in a receipt of a pension on normal terms.

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to December 2011, 20 members claimed a total of £13,535 (2010 : £10,387). This cost is apportioned to both the Charitable Funds and the Pension Funds. The Pension Funds' portion is included in the charges to the Pension Funds in Note 3 above.

Other than the above and disclosed elsewhere in these Financial Statements, the Board is not aware of any transactions with related parties that require disclosure in these Financial Statements under Financial Reporting Standard 8 "Related Party Transactions" (2010: £0).

Independent Auditors' statement to the Church of England Pensions Board about contributions

We have examined the summary of contributions of the Church of England Pensions Board for the year ended 31 December 2011 which is set out on the following page.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions and for monitoring whether contributions are made to each pension scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of work on the statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to each pension scheme under the schedules of contributions and the timing of those payments.

Statement about contributions

In our opinion, the contributions required by the schedule of contributions for each pension scheme for the year ended 31 December 2011 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions specified in the summary.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

16 May 2012

Church of England Pensions Board

Summary of Contributions payable in the year ended 31 December 2011

During the year, the contributions payable to the schemes by the Members and the Employers were as follows:

The Church of England Funded Pensions Scheme	Members £'000	Employers £'000
Required by the schedule of contributions certified by the scheme actuary on 30th December 2010		
Normal contributions	-	41,924
Deficit contributions	-	26,233
Total	-	**68,157**
Other Contributions Payable		
AVCs	1,217	-
Augmentations of individual members' benefits	-	177
Total (as per Fund Account)	**1,217**	**68,334**

Church Administrators Pension Fund	Members £'000	Employers £'000
Required by the schedule of contributions certified by the scheme actuary on 26th March 2010		
Normal contributions – DB	149	1,215
Normal contributions – DC	-	948
Deficit contributions	-	2,345
Total	**149**	**4,508**
Other contributions payable		
AVCs – DB	112	-
AVCs – DC	151	-
Augmentations of individual members' benefits	-	37
Total (as per Fund Account)	**412**	**4,545**

Church Workers Pension Fund	Members £'000	Employers £'000
Required by the schedule of contributions certified by the scheme actuary on 30th December 2010		
Normal contributions – DB	322	7,855
Normal contributions – DC	442	2,818
Deficit contributions	-	2,869
Total	**764**	**13,542**
Other contributions payable		
Deficit contributions	-	1,438
AVCs	609	-
Augmentations of individual members' benefits	-	26
Total (as per Fund Account)	**1,373**	**15,006**

Signed on behalf of the Board:

Jonathan Spencer
Chairman
15 May 2012

Bernadette Kenny
Secretary and Chief Executive

Appendix 1 – Actuarial Certificates

Lane Clark & Peacock
Actuaries & Consultants

Appendix 9

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme **Church of England Funded Pension Scheme**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at effective date of valuation on which the calculation is based is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the statement of funding principles dated 30 December 2010.

Signature: [signature] **Date:** 30/12/2010

Name: Aaron Punwani **Qualification:** FIA

Address: **Lane Clark & Peacock LLP**
30 Old Burlington Street
London W1S 3NN

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church of England Funded Pensions Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2009 to be met by the end of the period specified in the recovery plan dated 30 December 2010.

Adherence to statement of funding principles

1. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 December 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: [signature] **Date:** 30/12/2010

Name: Aaron Punwani **Qualification:** FIA

Address: 30 Old Burlington Street London W1S 3NN **Name of employer (if applicable):** Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 30/12/2010 and their Recovery Plan dated 30/12/2010 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

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Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

LCP INSIGHT CLARITY ADVICE

2142999

Page 1 of 1

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Church Workers Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 28 March 2012.

Signature: AUP...

Date: 28 March 2012

Name: Aaron Punwani

Qualification: FIA

Address: 30 Old Burlington Street
London
W1S 3NN

Name of employer: Lane Clark & Peacock LLP

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Lane Clark & Peacock LLP Trustee Consulting Investment Consulting Corporate Consulting Insurance Consulting Business Analytics

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Page 1 of 2

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme The Church Workers Pension Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2010 to be met by the end of the period specified in the recovery plan dated 28 March 2012.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 March 2012.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: .... **Date:** 28 March 2012

Name: Aaron Punwani **Qualification:** FIA

Address: 30 Old Burlington Street
London. W1S 3NN

Name of employer: Lane Clark & Peacock LLP
(if applicable)

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 28 March 2012 and their Recovery Plan dated 28 March 2012 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions dated 30 December 2010. I have also taken account of a further £4.3m of contributions paid to the Fund before 1 April by certain of the employers.

Lane Clark & Peacock
Actuaries & Consultants

Appendix 11

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Fund **Church Administrators Pension Fund**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31st December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Fund and set out in the statement of funding principles dated 26th March 2010 .

Signature: MRSlack .... **Date:** 26th March 2010

Name: Martin Slack **Qualification:** FIA

Address: Lane Clark & Peacock LLP
30 Old Burlington Street
London W1S 3NN

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Lane Clark & Peacock
Actuaries & Consultants

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church Administrators Pension Fund ("the Fund")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 26th March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26th March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature: M R Slack **Date:** 26th March 2010

Name: M R Slack **Qualification:** FIA

Address: 30 Old Burlington Street London W1S 3NN **Name of employer:** Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in their Statement of Funding Principles dated 26th March 2010 and their Recovery Plan dated 26th March 2010 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

MRSL/976316/KES

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All partners are members of Lane Clark & Peacock LLP.
A list of members' names is available for inspection at 30 Old Burlington Street, London, W1S 3NN, the firm's principal place of business and registered office.
The firm is regulated by the Institute of Actuaries in respect of a range of investment business activities.
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2005 2006 2007

Appendix 2 - List of the Return-Seeking Asset Pool's Largest Holdings

		Market Value 31.12.11 £m	Percentage of Equity Investments
1	Royal Dutch Shell	29.4	4.1%
2	BP	19.9	2.8%
3	Vodafone	17.0	2.4%
4	GlaxoSmithKline	16.4	2.3%
5	HSBC	15.8	2.2%
6	AstraZeneca	10.0	1.4%
7	Apple	9.7	1.4%
8	BG Group	9.2	1.3%
9	BHP Billiton	8.9	1.3%
10	Rio Tinto	8.6	1.2%
11	IBM	6.8	1.0%
12	Unilever	6.6	0.9%
13	Nestle	6.4	0.9%
14	Tesco	6.2	0.9%
15	Exxon Mobil	6.2	0.9%
16	Anglo American	6.0	0.8%
17	Google	5.9	0.8%
18	Pfizer	5.8	0.8%
19	Standard Chartered	5.6	0.8%
20	Abbott Laboratories	5.0	0.7%

Appendix 3 – Board Policies

Ethical Investment Policy of the National Church Institutions

Ethical investment considerations form an integral part of the Church of England's witness and mission. Through its ethical investment policy, the Church of England seeks a constructive engagement with the corporate world in order that responsible business practices and high standards of corporate behaviour are encouraged and supported. The Church of England is also mindful of the need to avoid undermining the credibility, effectiveness and unity of the Church's witness by profiting from, or providing capital to, activities that are materially inconsistent with Christian values.

The Ethical Investment Advisory Group (EIAG) of the Church of England carries out ethical investment research on behalf of the three national investment bodies of the Church of England: the Church Commissioners for England, the CBF Church of England Funds, and the Church of England Pensions Board ("the national Church investment bodies"). It develops policy recommendations, which once agreed by the national Church investment bodies, are then communicated to the wider Church. The General Synod, the Archbishops' Council and the Mission and Public Affairs Council are also represented on the EIAG to provide counsel and wider expertise. The legal authority for investment decisions rests solely with the national Church investment bodies, as well as individual parishes, cathedrals, dioceses and other associated Church of England organisations.

The national Church investment bodies are supportive of companies that seek to develop their businesses successfully and sustainably in the interests of shareholders. The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as:

- responsible employment practices
- best corporate governance practice
- conscientiousness with regard to human rights
- sustainable environmental practice
- sensitivity towards the communities in which business operates

Companies are monitored according to this Statement of Ethical Investment Policy and, where appropriate, by developing an ongoing dialogue and engagement with them. The national Church investment bodies believe this to be the best means of exercising responsible stewardship and shareholder responsibility and of communicating Church concerns. Disinvestment, if recommended, remains the preserve of each national Church investment body, and is only considered if a company's activities fall outside of the Church's ethical investment policy or if, after sustained dialogue, it does not respond positively to the Church's concerns.

Companies that promote pornography or supply armaments are avoided. Separate media and defence investment policies have been published outlining the criteria employed to determine whether companies breach the Church's policy in these areas.

Investment is also avoided in any company a major part of whose business activity or focus is in the following areas, where this is usually defined as exceeding 25% of Group turnover:

- gambling
- tobacco and tobacco related products
- alcoholic beverages (manufacture and licensed sale)
- non-offensive military equipment
- weekly-collected home credit (doorstep lending)
- human embryonic cloning

The national Church investment bodies also reserve the right to avoid investment in companies whose management practices they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church's broader criteria. Advice may be offered in respect of all classes of asset under management including domestic and international securities, land and real estate.

Environmental policy of the National Church Institutions

The whole of creation belongs to God. As human beings we are part of the whole and have a responsibility to love and care for what God has entrusted to us as temporary tenants of the planet. We are called to conserve its complex and fragile ecology, while recognising the need for responsible and sustainable development and the pursuit of social justice.

Therefore we, the National Church Institutions, with our wide-ranging involvement in issues that have an environmental and ethical dimension, accept an obligation to set an example in the way we conduct our business.

We commit ourselves to assessing the environmental impact of all our activities and to considering, within our trusteeship obligations, ways in which to minimise and mitigate any environmental damage they may cause.

Health and Safety

Together with the other National Church Institutions with whom we are a common employer, we have duties under the Health and Safety at Work Act 1974 and associated legislation to protect the wellbeing of our staff and others affected by our work.

We are committed to achieving high standards of occupational health and safety management both to meet the legal requirements and in the interests of our organisations. People are vital to the organisation and the effective management of occupational health and safety leading to fewer accidents and less sickness absence is an investment, which helps us achieve our purpose.

We consider that occupational health and safety are a management responsibility of equal importance to productivity and quality and fully accept our moral and legal duties to provide a healthy and safe working environment for all our staff.

Equal Opportunities

The National Church Institutions are committed to being an equal opportunities employer and ensuring that all employees, job applicants, customers and other persons with whom we deal are treated fairly and are not subjected to discrimination. We acknowledge that our employees form one community, using their diverse cultures and talents to serve the objectives and purposes of the Church of England.

The values of our organisations are rooted in those of the Church of England and of Christianity more generally. In serving the Church, we seek to preserve a Christian ethos within our organisations without, save for certain posts, requiring that individual members of staff have a particular religious affiliation. We are committed to respecting the dignity and worth of each individual and fostering a climate of tolerance and diversity. These are an integral part of our Christian ethos.

Against that background, our policy is designed to ensure that current and potential employees are offered the same opportunities regardless of their ethnic background, creed or religion (except where it is necessary for us to employ people who are Christian/Anglican or who are in Holy Orders), nationality, ethnic origin, age, gender, sexual orientation, marital status, domestic circumstances, disability or any other characteristic unrelated to the performance of the job. We seek to ensure that no one suffers as a result of discrimination, either directly or indirectly.

We recognise that an effective equal opportunities policy will help all staff to develop to their full potential, which is clearly in the best interests of both our staff and our organisational objectives. We want to ensure that we not only observe the relevant legislation but also do whatever is necessary to provide genuine equality of opportunity. We will continue to provide training to all staff in respect of equal opportunities, racial awareness and diversity.

We expect all of our employees to be treated and to treat others with respect. Our aim is to provide a working environment free from harassment, intimidation, or discrimination in any form which may affect the dignity of the individual.

We further recognise the benefits of employing individuals from a range of backgrounds as this creates a workforce where creativity and valuing difference in others thrives. We value the wealth of experience within the community in which we operate and which we serve and aspire to have a workforce that reflects this.

Appendix 4 – The Church of England Pensions Board Members, Executive Team and Advisers

The Constitution of the Board is laid down in Section 21(3) of the Clergy Pensions Measure 1961 as amended by the Section 8 of the Pensions Measure 1987.

Board Members (1 January 2011 to 15 May 2012)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York

Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York

Roger Mountford (from 1 January 2012)

Phil Hamlyn Williams FCA (to 31 December 2011)

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of dioceses

Canon David Froude ACIB

Appointed by the Church Commissioners

Jeremy Clack FIA (from 23 February 2012)

Peter Parker TD FIA (to 31 December 2011)

Elected by Employers participating in the Church Workers Pension Fund or the Church Administrators Pension Fund

Clive Hawkins (Deputy Vice Chairman)

Canon Sandra Newton

Elected by Members of the Church Administrators Pension Fund

John Ferguson

Elected by the House of Bishops of the General Synod

The Rt Revd David Walker, Bishop of Dudley (Vice Chairman)

Elected by the House of Clergy of the General Synod

The Revd Paul Benfield (from 15 February 2011)

The Revd Richard Billinghurst FIA (to 10 October 2011)

The Revd Paul Boughton ACA

The Revd Nigel Bourne

The Revd Canon Ian Gooding (from 21 October 2011)

Elected by the House of Laity of the General Synod

James Archer ACA

Simon Baynes

Jane Bisson (from 1 January 2012)

Dr Graham Campbell FCA

Alan Fletcher FCII

Canon Harry Marsh (to 31 December 2011)

Brian Wilson FIA (from 9 March 2011)

Elected by Members of the Church Workers Pension Fund

Ian Clark

Colin Peters

Secretary and Chief Executive

Shaun Farrell OBE FCMI (to 31 March 2011)

Bernadette Kenny (from 3 May 2011)

Executive Team

Paul Burrage (Accounting Services)

Michael Cole (Risk Management and Internal Audit)

Linda Ferguson (Customer Insight and Strategy)

Pierre Jameson (Investments)

Lee Marshall (Chief of Staff)

Loraine Miller (Housing Manager)

Ian Theodoreson (Chief Financial Officer, NCIs)

Tony Williams FPMI (Pensions Manager)

Audit and Risk Committee

Canon David Froude ACIB (Chairman, from 1 October 2011)

Phil Hamlyn Williams FCA (Chairman, to 30 September 2011)

James Archer ACA

The Revd Richard Billinghurst FIA (to 10 October 2011)

Jane Bisson (from 20 March 2012)

Ian Clark (from 25 January 2012)

David Hunt FCA (co-opted)

Canon Harry Marsh (to 31 December 2011)

Helen Simmons (co-opted from 25 January 2012)

Housing Committee

The Rt Revd David Walker (Chairman)
Ian Bate (co-opted)
The Revd Nigel Bourne
Jane Clarke (co-opted)
John Ferguson
Alan Fletcher FCII
Jon Head (co-opted)
Phil Hamlyn Williams FCA (to 31 December 2011)
Canon Sandra Newton

Investment Committee

Clive Hawkins (Chairman)
Simon Baynes
The Revd Paul Boughton ACA (from 21 February 2011)
Ian Clark
Debbie Clarke (co-opted)
Alan Fletcher FCII
Peter Parker TD FIA (to 31 December 2011, co-opted from 25 January 2012)
Colin Peters
Mark Powell (co-opted)

Pensions Committee

Roger Mountford (Chairman)
The Revd Paul Benfield
Ian Clark
John Ferguson
Canon Sandra Newton
Graham Shorter (co-opted)
Brian Wilson FIA

The Board's Chairman, Vice Chairman and Deputy Vice Chairman are ex-officio members of the Housing, Investment and Pensions Committees.

Professional Advisers

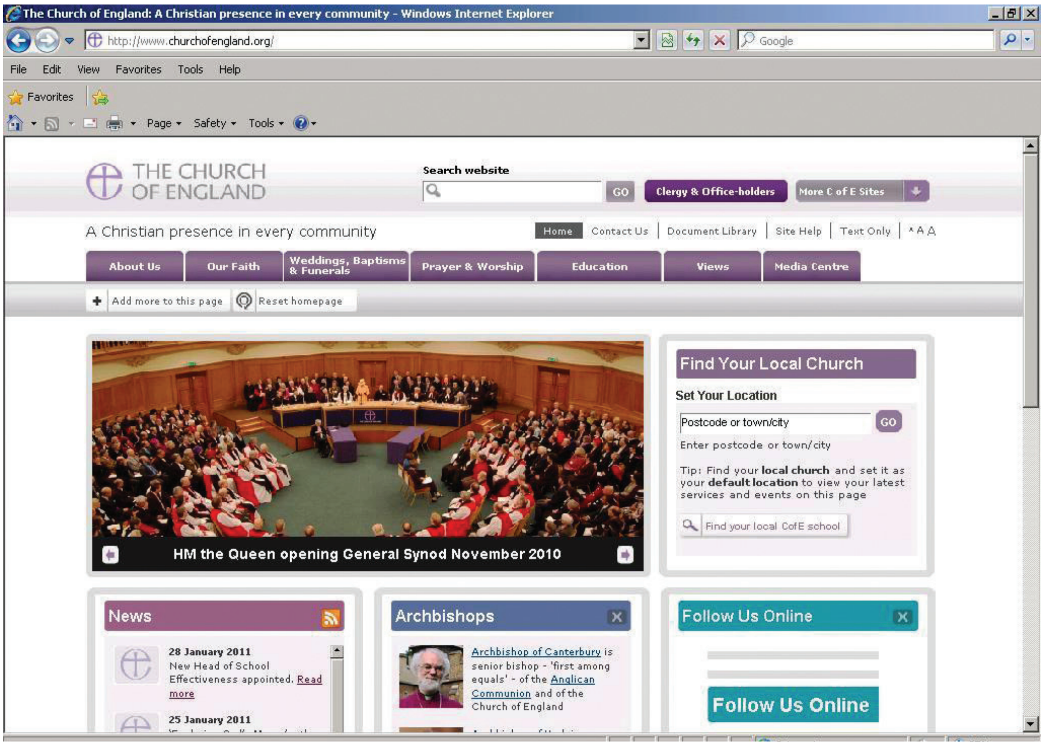
Actuaries	Lane Clark & Peacock LLP
Investment Advisers	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Corporate Finance Advisers	TradeRisks Ltd
Auditors	PricewaterhouseCoopers LLP
Bankers	Royal Bank of Scotland
Honorary Medical Adviser	Dr Trevor Hudson
Pensions Fund Investment Managers	BlackRock Advisors (UK) Ltd
	Bridgewater Associates LP Ltd
	CB Richard Ellis Investors (CBREI)
	First State Investments Fund Management S.à.r.l.
	GMO (UK) Ltd
	Insight Investment Management (Global) Ltd
	Legal & General Assurance (Pensions Management) Ltd
	RCM (UK) Ltd
	Winton Capital Management Ltd
Charitable Funds Investment Managers	CCLA Investment Management Ltd

Appendix 5 – Publications Available

Members' booklets and copies of the Scheme Rules for each of the pension funds, for which we are a trustee, are available on request.

Booklets and information about our retirement housing assistance, and a DVD highlighting the work of our supported housing schemes, are available on request.

Some are also available to download from our website:



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